

## Ocean Pines Budget and Finance Advisory Committee Recommendations to the Board of Directors

The Ocean Pines Budget and Finance Advisory Committee met with the General Manager, Finance and Department Heads to review the FY2018-2019 Ocean Pines Operating and Capital Budgets. This process is a commitment to transparency, input, review, analysis and feedback by our Bylaws, Board, GM and Staff. The committee appreciates the effort by everyone in the preparation of the budget and willingness to take the time to discuss both Operations and Capital.

Upon careful consideration of the budgets for Services, Amenities and Capital Requests, the committee makes the following observations and recommendations to the General Manager to consider in its Budget discussions next week (Tuesday, January 16<sup>th</sup>).

**Overall:** With revenues for amenities not growing and a forecasted two - year operating deficit over \$1.4 million the B&F Committee finds it prudent to make recommendations to address increasing costs. Payroll and Benefit costs will need to be addressed to be more in line with market conditions. Telephone costs have been discussed and the Budget does reflect a decrease (Yacht Club). However we believe that a change in the review process during the year should contain cost further. There were additions to staff in the Fiscal 2017/2018 Budget. Recommend based upon change in approach to major projects, that open positions if possible, not be filled in Fiscal Year 2018 /2019.

Recommend the General Manager go forward with initiative to sell lots owned by the Association. The budget was presented with an acknowledged comment by the General Manager that Revenue's were estimated conservatively. That is also the opinion of the B&F Committee.

### **Services:**

**Administration** - No changes.

**Manager** – No Changes.

**Finance** – There were many changes in 2017-2018 Fiscal Year that caused overtime in finance. Recommend a review of the overtime cost to be in line with prior years. Also there is an open position that was an addition to staff in 2017/2018 that was not substantiated in this Budget.

**Marketing** – Recommend elimination of Trolley service. B&F could not find any value after the discussion. Also there were questions on how effective some marketing costs became over the course of the year.

**CPI** – No changes.

**General Maintenance** – There was a decision by the General Manager to outsource major renovations in Fiscal 2018/2019 Budget. The Fiscal 2017/ 2018 Budget reflected an increase in staff to handle major renovations. We are requesting documentation for the positions due to the change; otherwise recommend not filling the two open positions in the Fiscal Year 2018/2019 Budget.

**Public Works** – No changes.

**Fire/EMS** - During the presentation we were informed there would be an additional expense not included in the current Fiscal Year 2017/18. The charge would be approximately \$189,000. B&F recommends charging the P/L currently.

**Police** – no changes.

**Amenities:**

**Golf** – B&F understands the points made for a lower revenue projection, however we do believe there are positives, which will bring in an increased revenue number.

**Yacht Club** – The GM announced at the meeting there was a high probability that he will present to the Board by January 27<sup>th</sup> a proposal from a management company to run the Yacht Club. We look forward to this proposal.

The GM's back up plan will be the budget presented to The B&F Committee. Committee members recommend total payroll expense in this budget be lowered to at least a cap of 44% of Revenue. B&F also recommends the GM consider partially closing the Yacht Club in the "off season" based upon the losses in the budget he presented.

**Beach Club** – No changes.

**Marina** - No changes

**Reserves:**

**Replacement** – B&F believes the sports core room addition is a very good project. However we recommend delaying at least one year. Based upon discussions during the meetings it is our understanding the Sanctuary Crabbing Pier replacement cost may not produce benefits to Association members. Recommend postpone funding till benefits can be documented, or remove/close pier if user safety is an issue. Recommend Road Depreciation be included.

B&F Committee understands the Reserve Study is in progress. We look forward to the results.

**Bulkheads** – Recommend that the assessment to all property owners be suspended for the Fiscal Year 2018/2019 Budget. Based upon discussions with Public Works, the GM and a review of the Reserve balance it appears to be adequately funded at this time.

**New Capital** – B&F in general agreed with the GM's proposal to set up a separate reserve.

This is a collective observation and recommendation from all members of the Budget & Finance Committee to the General Manager for our meeting on January 16, 2018 (Copy to Board of Director's). This review is in compliance with **Section 9.04. Annual Budget** of the By- Laws of Ocean Pines. Association, Inc.

