

Ocean Pines Association
Budget and Finance Committee
2022-2023 Budget Review Meeting Minutes
January 4,5,6, 2022

Executive Summary

This is an abbreviated summary of the detailed minutes to follow. The minutes are in chronological order by day and reference discussions, action steps and recommendations for the Board. It is important for the reader to understand the minutes as a whole to appreciate the full context. Bolded areas in the minutes are meant to highlight certain points.

Any expected 21-22 operations surplus has not been applied to the 22-23 proposed budget. Likewise, any budget surplus from last year on the balance sheet is not included in the initial budget as presented. Discussion did occur during the meetings on how last year's surplus can be used.

Overall Full Time Equivalent staffing levels are down 3.91 positions from the 21/22 budget. Salaries were increased with a reasonable merit raise, minimum wage increase required by law and some wage adjustments to bring certain positions up to market such as life guards.

As part of the General Admin review Right-of-Way fees were budgeted \$30K less than prior year actuals, after discussion this line item will be adjusted up by \$30K. The budget does not include recruiter fees as it is anticipated we will hire our new GM within the current fiscal year.

No significant budget changes this year for Public Relations and Marketing, there is no grant funding expected this year and \$10K budgeted for the present fiscal year will not be forthcoming. Some golf marketing expenses are now included in this budget consistent with how we treat Marketing for other amenities.

For Golf, following a strong 2021 golf season, we are projecting increased revenues for next year based on actual rounds played and proposed increases in our fees. Although payroll costs are generally flat year-to-year, mgmt. was confident that both shop and maintenance crews are appropriately staffed. \$600K for irrigation replacement is included in this year's capital spending. Given the uncertainty around the county irrigation proposal, this year's scheduled replacement could be postponed for a year, but some minor R&M costs may be incurred given the system's age. In subsequent discussions during the capital review, it was agreed that this \$600K would be removed from the proposed budget expenditures.

For Parks and Rec, some discussion took place on a new playground at Bainbridge. Too early in process, total estimate is needed before getting into a budget. Preliminary cost estimates run to \$600K for total project, potential funding coming from various sources and OPA portion still tbd, expect it to be funded across multiple years, cannot provide firm estimates at this time.

For the Marina, fuel sales were directly impacted by weather this year and from May thru Oct, our cost rose \$1.53/gal impacting net revenues. A question was asked if we have considered employing mooring balls, in which permitting would be required. Ron agreed to check into this further. Question re security cameras at S&R, there is one camera setup for 'A' dock, working to provide Internet access via our web site.

For the Racquet Center, no change to membership dues proposed for this year, although drop-in fees have been raised and leveled across all three sports, last year \$6 resident/\$7 non-resident change to \$8/\$10. Following a subsequent discussion on flat membership fees the GM was going to look at increasing fees somewhat in next budget pass. We have found that manning the pro shop with a F/T person helps us better manage drop-ins and ensure proper collection of fees.

With Genl Maint, GM noted that for maintenance of mailboxes, OPA will continue with routine R&M, but anything more will need BoD guidance and approval. A question was raised on how OPA would incorporate the mailboxes as an asset and start repairs. GM recommended that once we have a firm estimate on total mailbox replacement cost, we would book replacement as a new capital expense at that time and start charging any repairs or replacements accordingly. Current value of the mailboxes is \$0 as far as DMA study is concerned. B&F recommended prioritized mailbox clean up and possible painting where we have structural useful life given the deteriorated appearance of many mailbox clusters.

Public Works and CPI overall budgeted net ops unchanged from last year. Labor issues continue with PW, presently down 5 F/T staff members, difficult to recruit in current labor market (we will hire if we can).

General question re payroll being up but payroll costs down in most depts, difference is attributed to actual insurance premiums coming in significantly lower than prior year budget. OPA is earning better experience ratings with our insurance companies, particularly with Workman's Comp., which should contribute to more stable premiums and expenses going forward.

GM briefed us on history of bulkhead work and historical pricing, last year we negotiated \$355/lft for 3000', proposed budget reflects this year's anticipated rate of \$425/lft for 2000'. Question re \$90K budgeted for dredging this year, covid and permit delays in prior years prevented any expenditures, however we do need to budget funds for this activity.

For Beach Parking, overall budget reflects net ops down slightly from 21-22 y/e estimate with total proposed revenue budgeted same as 21-22 y/e estimate. No change proposed for rates in this budget pass.

For Aquatics, increasing our daily fees this year, haven't been adjusted since 2012, including adding a small fee for children under 5. Discussion on this topic ensued, rationale for the fee is that there can be many small children at any given pool and they do place the same demands as other guests relating to pool resources, e.g., chemicals, cleaning, etc. There was strong opinions against adding such a fee. No change to membership rates proposed for this year, discussion ensued re possibly raising membership rates, which the GM will review for next budget pass. B&F tentatively recommended raising membership rates but to use caution with how much. Payroll is up, no additional staff, but we are offering more competitive pay, esp. for lifeguards which are in demand. It was noted that no amount is budgeted for overtime pay, needs to be added

For the Police, budget has labor modestly increasing (flat headcount) and contract services increasing for a Body CAM lease. Body CAMS as required by law are being initiated this year including \$10K for the first year's lease (no capital). Full year lease is estimated at \$30K per year.

For the Fire Department, briefing began with review of funding sources, question was raised about request for additional staff without a corresponding increase to the EMS billing revenue. The request for

additional staff is not directly tied to the number of EMS calls, extra manpower is needed to provide adequate coverage for all EMS/fire related activity. Overall, the increased OPVFD budget as proposed is a \$38/member increase to the annual assessment. This is a 47% increase in costs or \$342K to OPA from the Fire Dept. budget. Seventy percent of the cost increase is associated with labor and benefits. Essentially, adding two full time EMT positions and moving 2 part-time EMT's to full time. It was noted that during the 21-22 budget year, the cost increase of moving the two part-time EMT's to full time was done using existing overtime funds. Discussion ensued regarding the budget changes and increases, BoD president requested more detailed information to help understand why the increase is needed.

The Fire Department obtains revenue from the County, State, interest income and EMT billings. Their budget has all revenue flat with last year. B&F challenged the flat revenues associated with this huge increase in costs. It was agreed that a team composed of the Fire Department and OPA Board representation would put together a case and jointly present it to the county for increased funding above the static levels given the growing infrastructure outside of OPA's gates that our FD/EMT cover. If increased staffing is required, B&F recommended to the dept. that they look at ways to increase EMT direct billing to insurance companies for people transported to the hospital, which was budgeted at \$475K last year and projected the same for the new year. It is noted that actual EMT revenues reported on last year's audited financials show \$489K. B&F was encouraging the FD to be creative and recommend billing options to assist with the large cost increases (as an example a 6% inflation change would yield approximately \$29K). We ask the Board to encourage the FD as well in this regard.

There was limited discussion on the Ortt-managed amenity budgets since the numbers were reviewed during the December monthly B&F Committee meeting with Ralph DeAngelus, Matt Ortt 22-23 Budget Review, December 22, 2021. Overall Yacht Club and Beach Club revenues are conservative. Matt Ortt's approach is to "under promise and over delivery". Clubhouse Grill revenue is up given increased golf rounds. Performance bonus for Matt Ortt is built into budgets, based on proposed revenues and expenses resulting in \$281K profits to OPA for the three venues.

GM's initial review, 22-23 contribution to reserves ~\$1.8M per DMA study, including approx. \$924K in capital spending. Given the uncertainty associated with the \$600K for golf irrigation and lack of need to do this year, GM is recommending to remove the \$600K for this year and give all stakeholders time to assess and evaluate the situation. The GM is comfortable that the replacement reserve funds are appropriately targeted for the 22-28% funding level over the next five years.

GM is requesting an early cap spend of \$70K for a rough mower for the golf course which is not included in the present cap summary. Question re is the old mower being held or traded in, will be sold or traded-in, this expense is slated for next year in DMA, just moving it forward in the study.

Discussion continued re DMA study on road reserves, B&F is concerned long-term funding for roads is not adequate and should be scrutinized. All funding sources should be reviewed, and a long-term plan implemented. B&F would like to recommend a work group at GM's discretion to help address funding needs. B&F reiterated that long-term funding for the road improvement expenses as outlined in the DMA study is not adequate if you rely solely on Casino funding. B&F shared detail analysis on roads from the recent reserve study:

Over 0-5 years, 42% of our roads are at the end of their useful life costing \$9.6M in today's dollars.

Over 6-10 years, an additional 31% of our roads are at the end of their useful life costing \$7M in today's dollars.

This means 73% of our roads are at the end of their 25-30 year life within the next 10 years. Likewise, the casino money of up to \$450K per year is far short of our need here.

The Board President recognized this concern and expressed support for a strategic plan in this area.

End of Executive Summary

Ocean Pines Association
Budget and Finance Committee
2022-2023 Budget Review Meeting Minutes
Day One, Tuesday, January 4, 2022

B&F Committee members present: Chairman Dick Keiling, George Solyak, Don Nederostek, Brian Reynolds, Don Bonafede, Yvette Tanious, John O’Conner (Honorary B&F); Non-Committee attendees: OPA: General Manager John Viola, Director of Finance/Controller Steve Phillips, Accounting Manager Julia Johnson, Office Manager Linda Martin, President Larry Perrone, Vice President Collette Horn, Treasurer Doug Parks, Director Frank Daly, Director Amy Peck, Director Josette Wheatley, and other OPA staff as noted; Media attendees: Greg Ellison, Bethany Hooper

Chairman Keiling called the meeting to order at 9:00AM, Pledge of Allegiance, Public Comments, none.

B&F Committee unanimously approved proposed agenda with noted changes to the Dept. timing and addition of Public Comments section. Reserves section moves up to 9:00A Thur., Police section moves up to Weds. 11:30A.

Chairman’s opening remarks. B&F Committee met with Ortt Companies and OPVFD during their regular monthly December meeting for an early look at their proposed budgets. OPA will brief on Food & Bev budgets and OPVFD will present again during this review. B&F Committee’s role is to review all budget materials and bring recommendations to the BoD. Brian Reynolds will provide meeting minutes. BoD and B&F members present are welcome to ask Qs at any time.

GM Budget Presentation. All team members active and engaged on budget prep, lead effort by Steve Philips and Linda Martin. Budgetary headwinds this year include, inflation, mandatory minimum wage hike, mark-to-market payroll adjustments, higher insurance premiums, and potential required increases to Reserve funding due to anticipated MD state HOA legislation changes. Budgetary tailwinds include significant operational improvements across all amenities both in increased revenue and cost saving measures, plus a recorded 20-21 fiscal year operational surplus of approx. \$1.2M and an expected 21-22 fiscal year operational surplus approx. \$1M. **Any expected 21-22 ops surplus has not been applied to the 22-23 proposed budget.** Proposed budget includes detail on each depts impact on the member assessment(s).

Genl Admin, GM, HR, Finance, Membership, IT – Sections 2, 3, & 4

Director of Finance/Controller Steve Phillips, Accounting Manager Julia Johnson, Membership and Assessment Supervisor Ruth Ann Meyer, Payroll/Human Resources Coordinator Kathy Stryjewski

Genl Admin Primary revenue source comes from assessments, Casino funds expected to be \$450K given history and current trends, County 21-22 grant funding (\$482K) went to Bainbridge Park drainage project, **Right-of-Way fees budgeted \$30K less than prior year actuals, after discussion this line item will be adjusted up by \$30K**, interest income reviewed, most is earned from Reserves so minimal impact to operations. Contract expenses include Northstar, Comcast, other IT services, and custodial services. Legal fees were discussed, question re why we don’t hire our own lawyer, BoD has not considered this but could be future discussion topic. It was noted that total legal expense includes HR related issues. Bad Debt expense down \$50K, insurance expense increases roughly estimated at 15%. Question re how often the insurance policies are put out for re-bid. Last time was 2 years ago, best practice is every 5 years. Depreciation expense down primarily from roads and fixtures/equipment. Question re

election/referendum budget, is \$20K enough given potential referendums, e-voting initiatives, etc. GM agreed to provide estimate for any such event if needed, \$20K is good estimate for now. GM/HR No significant changes to budget year over year. P/R cost increases as expected, contract services include \$5K estimate for Sibson PR study (lite), question re need to budget for recruiter fees, if needed would come out of present year budget, considered un-planned expense for this year, BoD will advise if needed.

Fin, Member, IT Northstar development going well, much headway made this year, RE transfer fees budgeted lower this year after significant 2021 income from hot RE market. PR cost increases across IT, Acct. and HR depts, contract expense primarily PR processing costs, new HRIS system implementation should help smooth workflow and increase productivity. PR costs which include medical insurance premiums and other benefits are lower and budgeted as such this year. Discussion ensued regarding total employee headcount, down by four year-over-year, and how that impacts overall PR costs.

PR/Marketing – Section 5
Marketing Coordinator, Julie Malinowski

No significant budget changes this year, there is no grant funding expected this year and \$10K budgeted for present fiscal year will not be forthcoming, ad sales are up and trending higher mostly from newsletter ads which more than covers publication costs, higher than expected printing costs are being evaluated, overall expense increases are driven by our amenities requirements which include the transition away from print advertising to more expensive video production pieces for banquets and weddings, which is now more in demand. **Some golf marketing expenses are now included in our budget, which is consistent with how we treat Marketing for other amenities.** We are better utilizing no cost/low-cost promotional tools, e.g., social media, and we continue to re-align our advertising resources for maximum return. Our amenities managers have reported positive impacts from our efforts this year.

Golf Ops/Maint – Sections 15 & 16
General Manager of Golf John Malinowski, Golf Superintendent Justin Hartshorne

Ops Following a strong 2021 season, we are projecting increased revenues for next year based on actual rounds played and proposed increases in our fees. Rate chart was reviewed and discussed. Question re 'dynamic pricing' for in demand tee times. EZ-Links supports this feature, but we have no plans to implement for this coming year. In-shop merchandise sales were hurt by supply chain issues, but margins on those sales going forward are expected to improve. **Although payroll costs are generally flat year-to-year, mgmt. was confident that both shop and maintenance crews are appropriately staffed.** Question was raised regarding revenue from the golf simulator, presently being used to enhance and support club sales and fittings only, those sales are included in Misc. Use of this simulator is very strong. It is the only simulator of this nature in the area. Golfers from other clubs have come to the club to utilize the simulator.

Maint Year to year expense increases driven by payroll costs, chemicals, gas/oil, and contract services. Significant progress being made to catch up on deferred maintenance, especially on-course drainage system work that has resulted in much improved course conditions. Question was raised regarding age of cart fleet and were we budgeting appropriately for R&M. Fleet will be five years old this year (acquired in 2017), carts are still in good shape and R&M is budgeted accordingly per vendor contract. Improved course conditions have contributed to increased revenues, players are noticing. **\$600K for irrigation replacement is included in this year's capital spending, given the uncertainty around the**

county irrigation proposal, this year's scheduled replacement could be postponed for a year, but some minor R&M costs may be incurred given the system's age. It was noted that a single irrigation replacement project would likely be easier to manage and less expensive overall than a piecemeal upgrade performed over several years.

Recs & Parks and Marina – Section 12, 21

Director of Recreation and Parks Debbie Donahue, Dockmaster Ron Fisher

Recs & Parks Northstar has allowed us to better categorize and manage both revenue sources and associated expenses, so items have moved or been expanded on the budget worksheet, e.g, Sports Camp is now under Class Reg for tax/fin. reasons, items like J Roger and Movie tix are now trackable. Our inventory mgmt. continues to improve with Northstar. Also, **the Farmer's Market is a highlight, decent revenue stream with minimal expenses.** Payroll adjustments are up, some custodial contract expenses have been picked up by P/W. Some marketing expenses have been picked up by PR/Mktg although we still carry the Peachjar school program which helps us promote our programs directly to parents and is very cost-effective. Question re special events, revenue \$30k increase and expenses \$23K increase. Special events are dynamic, can be cancelled for weather, etc. try to budget conservatively, not all events generate a return, some are totally free. Question re bus trip profit margins, Bus trips break even or make a return. Many rates/fees are proposed for an increase including Camp OP, haven't been adjusted in several years. League rates were adjusted 3 years ago, no increase proposed for this year. Northstar is providing better data analysis for us to sort member, non-member league activity. Celtic festival is a non-starter again this year. Question re budgeted Grants down (\$5K) year to year, just being more conservative, still have un-realized grant funds from county. **Question re new playground at Bainbridge and initial engineering expense, should it be in this budget. Too early in process, total estimate needed before getting into budget. Preliminary cost estimates run to \$600K for total project, potential funding coming from various sources and OPA portion still tbd, expect it to be funded across multiple years, cannot provide firm estimates at this time.** Question re any potential staffing issues for the coming year, we have a good return rate for summer hires, esp among teachers, no troubles anticipated.

Marina It was noted as with other dept budget worksheets, revenue/expense items have been re-categorized to track better in Northstar. Inventory mgmt. has also been enhanced at the marina using the new system and we do expect to incorporate these improvements in other depts going forward. **Fuel sales were directly impacted by weather this year, also, from May thru Oct, our cost rose \$1.53/gal impacting net revenues.** Discussion regarding new T-docks ensued, installation, mgmt., final # of available transient slips, no plans at this time to hire additional security, security expense recorded under Contract Services, **have we considered employing mooring balls, permitting required, will check into it,** 76 ppl presently on slip waiting list, question re slip rates, raised last year 4%, no change proposed for this year, our rates are competitive with other local marinas, S&R slips 1 and 2 still not usable, dredging needed but probably not worth it, slip 3 had trespassing issues this year due to proximity to beach. **Question re security cameras at S&R, there is one camera setup for 'A' dock, working to provide Internet access via our web site.** Discussion re fuel price/margins ensued, we benchmark against other local marinas and try to stay a bit lower, boaters do price shop, we count on volume to drive revenue, we expect cost/gal to rise and peak around Memorial Day, our ethanol-free gas is a bit pricier. Staffing appears stable for the coming year.

Racquet Sports – Section 13

Director of Recreation and Parks Debbie Donahue, Racquet Center Manager Madison McLain

Introduce new manager, Madison McLain, Northstar system providing positive improvements to revenue and expense mgmt., efficiencies expected to continue. **No change to membership dues proposed for this year, although drop-in fees have been raised and leveled across all three sports, last year \$6 resident/\$7 non-resident change to \$8/\$10.** Mgmt. feels changes to drop-in rates will generate additional revenue better than raising membership rates and could encourage players to consider a membership. Question re does the budgeted amount for pickleball revenue include estimate from new courts, we are assuming the new courts will be ready and have budgeted revenue accordingly, it was noted that the free-to-resident pickleball clinics were very popular and likely will drive increased membership as this is a perk for members. Question re about pr costs being up across all three sports, Madison is our new F/T racquet center manager, Terry is scaling back to tennis-only support, and Tim is P/T doing maintenance. **We have found that manning the pro shop with a F/T person helps us better manage drop-ins and ensure proper collection of fees.** Question re Pickleball club and how they impact revenue estimates, most club players (now over 300) have memberships, some just do drop-in fees. We get additional revenue from facility rentals from their tournaments, club members also provide some volunteer services to help with court upkeep, etc. Platform tennis continues to improve, gaining new players, introducing new game 'spec' tennis, hoping this helps drives sales of our combined '3-sport' memberships. It was noted that the platform tennis crew is working hard to improve activity and raise revenues. **Question re water line request (for platform court cleaning) and any progress on acquiring a paddle hut, we have bids for the hut, quote pkg has been shared with RSAC, expect to be reviewed at next meeting, hope to move forward with that in the new year, water line has been discussed with P/W and is in the works,** question re \$15K tennis hard court maintenance, this R&M required annually, question re platform tennis budgeted loss for the year with no rate increase proposed, membership rates not changed, but expecting to add new members, classes, etc. to help increase revenue. Question re in-house hard-court repairs, does P/W have the expertise to maintain courts or do we need pro services, P/W trying to do R&M this year, still being worked, but may need outside help. Changes to across-the-board drop-in rates were reviewed. GM noted that it is likely pro outside service needed for hard court R&M. Question re a food & beverage concession needed at the center, only doing minimal beverage sales from pro shop, would like to get a vending machine, but no plan for expanded F&B service at this time.

Meeting adjourned 1:25p

Ocean Pines Association
Budget and Finance Committee
2022-2023 Budget Review Meeting Minutes
Day Two, Wednesday, January 5, 2022

B&F Committee members present: Chairman Dick Keiling, George Solyak, Don Nederostek, Brian Reynolds, Don Bonafede, Yvette Tanious, John O’Conner (Honorary B&F); Non-Committee attendees: OPA: General Manager John Viola, Director of Finance/Controller Steve Phillips, Accounting Manager Julia Johnson, Office Manager Linda Martin, President Larry Perrone, Vice President Collette Horn, Treasurer Doug Parks, Director Frank Daly, Director Amy Peck, Director Josette Wheatley, and other OPA staff as noted; Media attendees: none

Chairman Keiling called the meeting to order at 9:02AM. Public comments, none.

Genl Maint, PW, & CPI – Sections 6, 7, & 8

Public Works & CPI Director Eddie Wells, Public Works Operations Manager Nobie Violante,
Office Manager Linda Martin

Genl Maint Payroll expense up primarily from merit increases, PR costs down like other depts, expecting higher gas/oil expense, \$220K building costs spread across facilities, primarily driven by deferred maintenance expenses. Discussion re mailbox ownership and maintenance ensued, President Perrone reported that he had a conversation with Rep Harris’ office and is expecting to talk to the Postmaster in Cambridge, outlook is that OPA will be responsible for the mailboxes going forward. The DMA study will have to be updated and a formal plan developed for addressing maintenance issues. **GM noted that OPA will continue with routine R&M but anything more will need BoD guidance and approval, question re how OPA would incorporate the mailboxes as an asset and start repairs, GM recommended that once we have a firm estimate on total replacement cost, we would book replacement as a new capital expense at that time and start charging any repairs or replacements accordingly, current value of the mailboxes is \$0 as far as DMA study is concerned.** P/W noted that we do have an internal review/study that was performed (Oct 2020, copy distributed to BoD), all mailbox clusters were evaluated and ranked, some initial repairs were done to get an idea of what would be required, we’ll use the report as a starting point going forward. **B&F recommended prioritized mailbox clean up and possible painting where we have structural useful life.** Question re about the North gate bridge and what actions are planned to improve/repair, GM reported that an engineering eval was completed and forwarded to MDOT and we are awaiting a response, expect slow turnaround from state. Funding for the guard rail improvements is included in this year’s budget (21-22), approx. \$10K as stated previously. Due to supply issues, materials are delayed.

P/W Overall budgeted net ops unchanged from last year, it was noted that the \$90K county road repair contribution is a previously agreed to amount but estimating \$85K for this budget. Labor issues continue, presently down 5 F/T staff members, difficult to recruit in current labor market (we will hire if we can), budgeting for higher gas/oil prices, funding for outside landscaping services is primarily for ditch work, sub-contractors have necessary equipment that OPA does not have, question re any insurance monies due us from bridge damages, some funds recently received, no reimbursements are included in the budget, any funds received go directly against any expense, so it’s a net \$0 to the bottom line. No need to budget for potential insurance reimbursements.

CPI Overall budgeted net ops unchanged from last year, all cpi fees and charges have been reviewed, anticipating revenue \$3K in this budget. Discussion ensued re variance filing fee change, \$115 down to

\$50 due to many member complaints, **no consensus arrived at re changing this fee?**, gas/oil expense up like other depts. **General question re payroll being up but pr costs down in most depts, difference is attributed to actual insurance premiums coming in significantly lower than prior year budget forecasts, also OPA is earning better experience ratings with our insurance companies, particularly with Workman's Comp., which should contribute to more stable premiums and expenses going forward.**

Bulkheads & Road Reserves – Sections 9, 22

Public Works & CPI Director Eddie Wells, Public Works Operations Manager Nobie Violante,
Office Manager Linda Martin

GM briefed on history of bulkhead work and historical pricing, last year we negotiated \$355/ft for 3000', **proposed budget reflects this year's anticipated rate of \$425/ft for 2000'. We already did emergency repairs of 450' @ \$355/ft.** Also last year weather, covid, and materials issues delayed completion of the work past Mem Day, we want to avoid delays this year, so we are comfortable with 2000' for 22-23. Question re what dictates an emergency repair, we use Northstar to record and track resident bulkhead concerns, that data together with close-up visual inspections guide us on when an emergency declaration is needed. Question re \$90K budgeted for dredging this year, covid and permit delays in prior years prevented any expenditures, however we do need to budget funds for this activity as it may come up in any given year.

Aquatics, & Beach Parking – Sections 14 & 19

Director of Aquatics Kathleen Cook, Office Manager Linda Martin

Beach Parking Overall budgeted net ops down slightly from 21-22 y/e estimate, total proposed revenue is budgeted same as 21-22 y/e estimate, the #s are broken down on the budget worksheet for more clarity. no change proposed to rates which were raised last year. Discussion ensued re Seacret's and Dumser's leases, Secret's lease was re-negotiated last year, **Dumser's lease will be up for renewal, should include an increase for them, GM noted.** Question re \$0 budget for parking lot R&M, last year's budget included funds for paving the entrance/exit driveways but no R&M is expected for this year, anything needed would likely be capital improvements, GM does not recommend paving the lot.

Aquatics We are increasing our daily fees this year, haven't been adjusted since 2012, incl adding a small fee for children under 5, discussion on this topic ensued, rationale for the fee is that there can be many small children at any given pool and they do place the same demands as other guests relating to pool resources, e.g., chemicals, cleaning, etc., there was strong opinions against adding such a fee, could be bad pr, suggested to make up any new revenue from non-members and/or teen rates. **Question was raised re what other pools in our area are doing re child rates, team will investigate.** No change to membership rates proposed for this year, discussion ensued re possibly raising membership rates, **team agreed to look at that again and re-assess, suggestion to raise with inflation, B&F tentatively recommended raising membership rates but use caution with how much.** Payroll is up, no additional staff, but we are offering more competitive pay, esp. for lifeguards which are in demand. **it was noted that no amount is budgeted for overtime pay, needs to be added,** concerns for summer staffing were expressed, we are offering \$15-16/hr. to remain competitive and attract staff, but targeted pool closures, like last year, may be necessary. **GM took the opportunity to share the p/r summary worksheet that breaks down, by dept, how the various pay increases, e.g., merit, min wage, market, etc. impact the overall total payroll.**

Police Dept. – Section 11

Chief Leo Ehrisman, Lt. Shakhan Toppin, Office Manager Linda Martin

Overall budget reviewed, payroll and contract service increases were the primary changes, small savings in insurance costs are anticipated. **Question re budget impacts from body cam mandates, Chief responded with full briefing on the body cam mandate. We are working closely with county and other depts on this initiative, expecting to recognize some savings from this coordination, OPPD mandate is to implement in the 23-24 fiscal year, current plan includes a \$150K lease contract (\$30K/yr. for 5 years) to provide dept with cameras, desktop stations, software, cloud storage, county integration, and support services including new gear as needed, but not included is cellular comm which is required for each officer, Verizon is offering to provide free equipment with paid service contract, this represents additional 13-15 cell phones added to our Verizon service which is not included in the \$150K estimate. CFO re-iterated that although last year we anticipated a capital purchase for the required equipment, this arrangement is a lease contract. \$10K is budgeted for this year, the \$30K per year will start in Jan 2023.** Chief indicated that not all details of the reform act are available yet, but some state funding via grants may be provided to cover some of these expenses, awaiting further guidance. Question re about lead times for acquiring the equipment and planning implementation, expectation is an 8-month ramp-up for testing, training, etc. and to be operational by Jan 2023. Moving on to other budget items, question re about flat estimate for gas/oil given price increases in other dept, overall fleet miles are expected to decrease, question re about replacement of departing officer, expecting to hire new officer but we are still one officer short. Recruitment is an on-going national issue. Question re about cost of training for the body cam mandate, lease contract includes all training required to operate the new equipment, our training expense is for required annual officer re-certifications and that expense is expected to decrease due to more on-line, virtual training resources. **Question re about county grant funding staying the same \$475K year over year, we measure those grant funds against what services we share with and gain from the county, it is an equitable arrangement, and we consider the grant funding amount appropriate.** Question re about covid impact on staff, dept is practicing appropriate covid prevention measures, thankfully no issues to date, but potential exists. Question re payroll increase, GM referenced payroll info worksheet, most attributed to market adjustments, our salaries are competitive within our locality, but our benefits do not compare favorably with other municipalities.

OPVFD, Fire/EMS – Section 10

President Dave VanGasbeck, Chief Steve Grunewald, EMS Captain Harvey Booth

Briefing began with review of funding sources, question was raised about request for additional staff without a corresponding increase to the EMS billing revenue, the request for additional staff is not directly tied to the number of EMS calls, extra manpower is needed to provide adequate coverage for all EMS/fire related activity. **Overall, the increased OPVFD budget as proposed is a \$38/member increase to the annual assessment. This is a 47% increase in costs or \$342K to OPA from the Fire Dept. budget. Seventy percent of the cost increase is associated with labor and benefits.** Essentially, adding two full time EMT positions and moving 2 part-time EMT's to full time. It was noted that during the 21-22 budget year, the cost increase of moving the two part-time EMT's to full time was done using existing overtime funds. Discussion ensued regarding the budget changes and increases, **BoD president requested more detailed information to help understand why the increase is needed.**

The Fire Department obtains revenue from the County, State, interest income and EMT billings. Their budget has all revenue flat with last year. B&F challenged the flat revenues associated with this huge increase in costs. **It was agreed that a team composed of the Fire Department and OPA Board**

representation would put together a case and jointly present it to the county for increased funding above the static levels given the growing infrastructure outside of OPA's gates that our FD/EMT cover. If the increased staffing is required B&F recommended to the dept. that they look at ways to increase EMT direct billing to insurance companies for people transported to the hospital, which was \$475K last year and projected the same for the new year. It was noted that actual EMT revenues reported on last year's audited financials show \$489K. B&F was encouraging the FD to be creative and recommend billing options to assist with the large cost increases (as an example a 6% inflation change would yield approximately \$29K). We ask the Board to encourage the FD as well in this regard.

Briefing finished up with a review of the budget line items. Question re where donations show up on the budget, donations go directly to the reserve fund for equipment replacement, it's not included on our budget worksheet. Discussion wrapped up over funding sources, M.O.U. requirements, reserve funds, donations, etc.

Beach Club, Clubhouse Grill, & Yacht Club – Section 17, 18, & 20
General Manager John Viola, Director of Finance/Controller Steve Phillips

There was limited discussion on the Ortt-managed amenity budgets since the numbers were reviewed during the December monthly B&F Committee meeting. Ortt had requested an earlier review due to scheduling conflicts. The minutes from that meeting are included below for your convenience. Topics discussed during today's meeting included budgeted bottom lines, covid's impact to last year's numbers, Ortt contract bonus qualifications and how the bonus is managed in the budget.

1. Ralph DeAngelus, Matt Ortt 22-23 Budget Review, December 22, 2021:

Payroll taxes reflect 20% expense, this is based on tax on tips

Credit Card (Merchant Services) fees were reviewed and feel they are competitive. The POS provider, TOAST requires the use of their services. The average fee is 2.2%-2.8% based on the credit card used. The average credit card usage is 85% per transaction with 15% being cash.

During the season, all locations are open 7 days a week with normal business hours. This reflects the labor pool having a desire to work for the facilities because of tips, hours of operation and management.

- A. **Yacht Club** Conservative assumptions for **2022/2023 assuming more moderate activity from 2021/2022 figures.** Month of May was huge last year after COVID winter, don't expect will be the same this year. Increase in facility rental (banquet). Current 2022/2023 bookings are at \$470,000. The minimum rental is \$10,000 for the room, food and beverage is then added. Budgeting approach for Yacht Club and Banquets is to under promise and over deliver.
- B. **Beach Club** Conservative assumptions for 2022/2023, again assuming less activity of 10%. No capital improvements are planned. Facility rental (banquet) is typically less than the Yacht Club, however there is rental opportunities. Entertainment is lower anticipating less in entertainment and possibly cancelled entertainment to save on expense related to entertainment and royalty fees.
- C. **Clubhouse** Anticipating increase in golf outings and rounds of golf, there will be an increase in revenues. Note that the Yacht Club provides all catering for golf outings.
- D. **Performance bonus for Matt Ortt is built into budgets, based on proposed revenues and expenses resulting in \$281K profits to OPA for the three venues.**
- E. T-Docks were discussed. Matt Ortt unable to provide specific targeted revenue gains associated with them.

Meeting adjourned 1:20p

Ocean Pines Association
Budget and Finance Committee
2022-2023 Budget Review Meeting Minutes
Day 3, Thursday, January 6, 2022

B&F Committee members present: Chairman Dick Keiling, George Solyak, Don Nederostek, Brian Reynolds, Don Bonafede, Yvette Tanious, John O'Conner (Honorary B&F); Non-Committee attendees: OPA: General Manager John Viola, Director of Finance/Controller Steve Phillips, Accounting Manager Julia Johnson, Office Manager Linda Martin, President Larry Perrone, Vice President Collette Horn, Treasurer Doug Parks, Director Frank Daly, Director Amy Peck, Director Josette Wheatley, and other OPA staff as noted; Media attendees: none

Chairman Keiling called the meeting to order at 9:01AM, Public Comments, none.

Capital/Reserves – sections 22 & 23
General Manager John Viola, Director of Finance/Controller Steve Phillips

Gm initial review, **22-23 contribution to reserves ~\$1.8M per DMA study, including approx. \$924K in capital spending, approx. \$900K increase to reserves**, most detailed cap items are from the DMA study for the coming fiscal year, of particular interest is the \$600K for gold course irrigation, DMA study lists \$600K per year for the next 5 years, this was all documented in the first reserve study, county has now come forward with their proposal which is still in the early stage, **given the uncertainty and lack of need to do this year, GM is recommending to pull out the \$600K for this year and give all stakeholders time to assess and evaluate the situation.** Latest indications from our county commissioners are that nothing is immediately forthcoming regarding the county irrigation proposal. For the record BoD can transfer any operational surpluses to reserves which could/would impact this budget proposal.

GM is comfortable that the reserve funds are appropriately targeted for the 22-28% funding level over the next five years.

GM is requesting an early cap spend of \$70K for a rough mower for the golf course which is not included in the present cap summary. Question re is the old mower being held or traded in, will be sold or traded-in, this expense is slated for next year, just moving it forward from the DMA study.

For aquatics, most items are listed on DMA schedule, **\$10K aqua trec is duplicate entry, will be removed.** \$6K sports core HVAC is listed as new cap request, discussion re new capital fund ensued, opinions differed on handling of HVAC expense, **GM will address where this HVAC expense should go. Sand filters replacement should be fully assessed and true cost listed on cap summary**, mesh cover listed in summary is for beach club pool only.

Beach Club cap spending is all related to food & beverage services, all equipment on DMA, not large expense, the equipment is needed.

White Horse Park grading is removed for now, fixes for root problems in the park are still being evaluated. Question regarding is this the White Horse parking expense on DMA study, this is not that expense.

P/W dump trailer is scheduled for replacement, question re that the DMA study lists only \$6K, we are expecting it to cost more than \$6K, estimating the \$10K.

Yacht club equipment is on DMA schedule, most is outdoor equipment, \$29K catering equipment is needed by Ort to provide necessary services. **We can provide additional details on this line item, it is a collection of small equipment items. P/W wish list includes \$70K for a tree mgmt. equipment?**

Discussion ensues regarding **disposition of the 20-21 operational surplus, approx. \$1.2M, GM reviewed present thinking as follows:**

\$60K for T-Docks (not including installation)

\$170K for pickleball courts

\$350K for road reserve

Balance to reserves or consider for assessment decrease or other immediate projects

Discussion continued re DMA study on road reserves, B&F is concerned long-term funding for roads is not adequate and should be scrutinized. All funding sources should be reviewed, and a long-term plan implemented. **B&F would like to recommend work group at GM's discretion to help address funding needs. GM and P/W agreed that we have all the necessary reporting on road conditions to assist in this assessment and that he and the team are aware of these expenses and are actively working to address these long-term needs.** B&F reiterated that long-term funding for the road improvement expenses as outlined in the DMA study is not adequate. B&F shared detail analysis on roads from the recent reserve study:

Over 0-5 years, 42% of our roads are at the end of their useful life costing \$9.6M in today's dollars. Over 6-10 years, an additional 31% of our roads are at the end of their useful life costing \$7M in today's dollars. This means 73% of our roads are at the end of their 25-30 year life within the next 10 years. Likewise, the casino money of up to \$450K per year is far short of our need here.

The Board President recognized this concern and expressed support for a strategic plan in this area.

Other capital wish list items were discussed:

- Digital signage
- Walk/bike trail improvements
- ADA beach access at the Beach Club
- Bainbridge Park improvements
- Ocean Parkway road striping (included in this year)
- A/V equipment/installation needed for meetings at Comm Ctr and/or Clubhouse

Changes to the first-cut proposed capital summary:

(\$600K) remove golf irrigation spend in current year, GM recommends postponing

\$70K add for golf rough mower, moving up on DMA study

(\$10K) remove aqua trec, duplicate entry

(\$25K) remove WH Park grade leveling, GM withdrawing request

\$70K add P/W tree mgmt. equipment?, wish request only

Meeting adjourned 10:45a