

BUDGET & FINANCE MEETING MINUTES

Work Group Meeting

5-26-21

Attendees: Dick Keiling (Chairman), Brian Reynolds, George Solyak, Tom Piatti; Don Bonafede, Don Nederostek, Yvette Tanious

Cc: Doug Parks (Liaison), John Viola, Steve Philips, Michelle Bennett

Meeting called to order at 9:10 AM

The team met as a Work Group with the associated minutes below:

By copy to Doug Parks please note the changes we are recommending to the F resolutions and C-03 as well as steps forward for the Policy and Procedures Manual. **We are requesting the Board to advance these recommendations in accordance with standard protocol!**

By copy to John Viola and Steve Phillips, we are including our comments and questions from the team relative to our review of F-01, Matt Ortt's contract, Matt Ortt's April financials, and OPA's April financials. These can be addressed during our June meeting. We will next meet at our regularly scheduled meeting date on the 23rd of June (17th workday) at 9AM where we will review April end-of-year and May's financial results. The meeting will be held in person at the Community Center.

Annual Review of Investment Guidelines and Procedures:

The committee reviewed Resolutions F-01 through F-04 as required and C-03. The bold items reflect our recommended changes and questions.

F-01 Investment Guidelines

The team reviewed F-01 and have no changes to the resolution as currently written.

Section 2.a.ii.2 states "Notwithstanding the aforementioned limitations, deposits that may be in excess of FDIC coverage must be collateralize specifically by securities in the bank's U. S. Governments or Agencies portfolio in an amount that exceeds the uninsured deposit amount by at least five percent (5%)." There are certainly times when our operating accounts exceed \$250K particularly when we have large projects going on.

Please confirm that our ICS relationship with the Bank of Ocean City satisfies the above! Maybe a DDM product or link to ICS will improve the automated sweep process.

F-02 Annual Budget Development and Monitoring

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 of Directors to approve a budget prior to the beginning of the fiscal year. Section 9.04 assigns responsibilities to the General Manager 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 work "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.**

F-03 Financial Reserve Accounts

Section 4. Reserve Accounts b. should be changed removing reference to drainage as follows:

b. Roads Maintenance Reserve. This reserve is for the maintenance of the Association's road system.

A new reserve category e. should be added as follows:

e. Drainage. This reserve is for the maintenance of the Association's drainage.

F-04 Delinquent Assessments

No changes are recommended for this resolution.

C-03 Budget and Finance Advisory Committee

Section 3. Functions. c.

Change as follows: "including meeting with the auditors **as necessary**".

Review of Matt Ortt Contract:

Recommendation: Advertising and Event Security should be included as included costs in any future contracts.

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. If Matt Ortt is maintaining service and quality metrics this would be good information to share with the Owner.

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.

4.7 Inventories of Food and Supplies

What is being done with respect to inventory management and reporting?

6.2.b Reporting and Record Access

Is Manager providing Owner month-end inventory reports with food and beverage quantities and cost values? Is this validated?

6.3 Audit

Is OPA receiving Matt Ortt audited financial statements?

Questions from Matt Ortt's April financial reports

What specific items make up the OPA reported costs that are not part of Matt Ortt's financial statements?

For the new year Matt Ortt should 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.

Payroll and Related for Yacht Club and Beach Club is \$87K less in 21' vs 20'. Can you reconcile this with the \$271K PPP credit Matt Ortt received?

Explain why insurance is up \$20K at Yacht Club over the previous year. There is no insurance at Beach Club but there was \$4K last year.

Kitchen supplies at YC are \$29K above last year-to-date. Paper Products are (\$26K) below last year-to-date. Please explain? The Beach Club also has high offsetting variances for these two items.

Why are April's COGS at Yacht Club 49% when YTD is 33%? Why is Kitchen Staff 27% for April and YTD it is 13% at Yacht Club?

Yacht club labor is down \$43K yet payroll taxes are up by \$15K YTD. Beach Club labor is down about \$16K and payroll taxes up by \$5K YTD?

Questions from OPA's April financial reports

Finance (\$8K) monthly unfavorable variance?

Maintenance (\$45K) unfavorable for month on Operating Summary? Timing or unplanned maintenance?

Tennis labor (\$5K), and service/supplies (\$11K) unfavorable for the month. Is labor all tennis or should some go to Pickle or Platform?

Net Operating by Dept, Tennis & Platform Tennis, combined 2021 YTD loss of (\$80K) is 4x previous year loss of (\$20K)?

What is \$5,200 credit for vending under Aquatics?

Net Operating by Dept, Golf Ops + Main. (\$51K) unfavorable for the month? Is Golf (\$38K) unfavorable monthly balance for chemicals and service/supplies a timing issue or unplanned activity?

Combined Golf Ops, 63.4% YTD COGS \$49.9K on Merchandise Revenue of \$78.7K, budgeted for 54%, both seem high. What is the industry standard COGS % for retail golf shop merchandise?

What is CIP (\$9K) unfavorable variance for the month.

Why \$12K COGS for Golf merchandise with \$9K in Revenue?

Payroll is (\$64K) unfavorable for YC and Clubhouse Grill for the month?

Total AR is \$2.2M less than prior year-end? Why is our Allowance for Bad Debts \$219K above the prior year reserve particularly if our annual write offs have been well below this level?

New Capital over budget by \$32,470? From Operating Fund?

Reserve Summary shows \$325K for Road's contribution. On March's financials, there was a 'True-up' from the County Roads Fund of \$20K revenue listed on the Operating Results Summary page. The Year-End Reserve Summary should be updated to include this additional \$20K for total \$345K?

It is recommended we obtain a modern credit card chip reader at golf course pro shop to speed up process.

B&F previously asked before about getting monthly financial detail pages added for missing depts, e.g., GA, Finance, PW, etc. to aid in reconciliation. Can we please get those added for the new year?

Policy and Procedures Manual

B&F recommends 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.

Meeting adjourned 12:35 PM