

**Ocean Pines Association**  
**Budget and Finance Committee**  
**2023-2024 Annual Budget Review**  
**Meeting Minutes from January 4 & 5, 2023**

**Executive Summary**

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

**From GM Budget Presentation**, GM thanked B&F for their efforts over the year and began his summary review of this year's budget. As before, using a bottom-up approach to building all dept budgets, all team members active and engaged on budget prep, lead effort by Steve Philips and Linda Martin. This proposed budget includes a \$21 reduction in the base assessment, from \$896 to \$875. This reduction, while not our primary goal, is a direct result of our budgeting methodology. Also, the true-up component of this year's budget is built-in to recognize favorability from the prior year's retained earnings.

Most amenity rates have been increased based on feedback from the Strategic Planning Comm. and dept recommendations. Most rate increases are modest and are below this year's CPI change.

Note: In some instances, you will see payroll and benefit line-item variations within different departments when comparing budget to budget or 2023 forecast to 2024 budget. This can result if labor allocations are redistributed to different departments, full time equivalent (FTE) combinations of full-time or part-time shift including people changing benefit options, and the existence of vacant positions from one period to next. Steve Phillips will share on the last day an OPA Salary Walk by Department/Amenity reconciling total OPA payroll accounting for merit increases, market adjustment increases for full-time and seasonal employees, and adjustments including reconciling vacancies.

**From Genl Admin**, Depreciation expense is flat year-to-year, this needs to be updated for the new fiscal year. Includes a \$40K contingency for a request of 1% increase in payroll for Mark to Market adjustments. B&F supports this. GM noted that there was/is an initiative to reduce telephone expenses and cost savings have been recognized across all depts.

**From CPI**, CPI fees have not been changed since 2019, B&F asked if these rates have been considered for an increase. B&F recommended that all CPI fees be reviewed.

**From PR/Mktg**, GM noted that OPGC has a dedicated pr budget for golf packagers while the PR/Mkt Promotion expense covers the rest of OPA amenities including general golf marketing. GM would consider a re-alignment of all pr/mkt expenses if someone wants to make the case for such a move.

**From PW**, GM addressed Leaf Removal proposal that is still being discussed and hashed out. B&F supports the proposed changes to OPA's leaf removal policy including paid access to the pw yard for members, discontinuing contractor access to pw yard, and changes to the vacuum truck usage. BoD must review and approve any changes to leaf collection policy.

**From Bulkhead/Water**, our preferred vendor will be completing repairs at the yacht club marina and other emergency work this year. This relationship has afforded OPA with very favorable quotes for bulkhead replacements.

**From Recs & Parks**, all Recs and Parks facilities are operating at peak capacity, more space would provide opportunities to enhance available programs and increase revenue. Demand for services has increased following the covid downturn. R&P mgmt. routinely evaluates offerings vs available resources to develop new events and programs, e.g., haunted house, expanded July 4<sup>th</sup> celebration, and return of bus trips.

**From Marina**, GM noted that the marinas have consistently produced ~\$225-250K net ops profit each year over the last several years and, accordingly, OPA will be investing in necessary upgrades and improvements with eyes on continuing those positive results.

**From OPVFD**, The OPVFD presented a summary page detailing expenses, revenues, reserves, and new capital. In total these reconcile with the budget page submitted by S. Phillips within the budget package (except for a minor adjustment for reserves). B&F recommends for the future that we either use S. Phillips' spreadsheet during the review or the OPVFD adds the prior year actual and current YTD numbers to their spreadsheet out of QuickBooks.

Repair and Maintenance was budgeted at \$80K last year. The request for 23/24 is \$50K or \$30K less. B&F is requesting the OPVFD take a second look at this to see if this is reasonable or if it should be adjusted downward.

EMS billings of \$520K are budgeted equal to the prior year's actuals, which is two years removed from next year's budget. B&F recommends OPVFD review this estimate looking at current trends and fees to see if this should be adjusted upwards given the increases in medical costs over a two-year period. It was mentioned the department will be looking at a new service provider for handling billings with insurance companies. It is recommended that any discussion with the current or potentially new service provider include options to increase billing revenue.

It should be noted that the amount requested by OPVFD was corrected to \$995K during the 1/4/23 budget meeting.

**From Police**, payroll is the largest part of dept expenses which includes funding for 5 open positions. 2 recruits are scheduled to attend the academy immediately with 3 open positions remaining. Vehicle Gas budget estimate appears low, will revisit and adjust as needed.

**From Racquet Sports**, the Racquet Sports manager job has been posted, still hoping for a candidate with experience in all 3 sports. ~\$45K salary for this position is included in this budget, an increase from the vacated position. The status of Racquet Sports Pro Shop building was discussed. Plan going forward includes budgeting for the renovation in 24-25 budget, likely using the existing foundation. The warming hut will also be included in any reno plan. GM noted that all three racquet sports have been trending positive over the last few years and expectations are that will continue.

**From Beach Parking**, B&F expressed concern re: the increase for base parking is 16% and the increase for all parking options averages 14%. B&F recommends this be reviewed as the increase is much greater than inflation. GM and staff considered the supply and demand factor for parking in OC, felt the

higher rate was warranted, will reconsider a lower increase after consultation with staff and the BoD.

**From Golf Ops**, Revenue projections include an increase in golf packager rates; however, these new rates still compare favorably to local market competition. Golf range income was strong this year and we budgeted for a revenue bump. Anticipating a cut in merchandise revenue due to expected lower golf club sales. The Director wants to focus on higher margin merchandise. OPGC is charged a \$5 fee for each round booked through packagers and that fee is recognized in the Promotion G/L account. New initiative to expand lessons, clinics, and summer camps will be driven by independent PGA instructors who will provide those services to members and guests. OPA will garner a 20% share of any instructor-led service fee.

**From Golf Maint**, a significant reduction in the Chemicals & Fertilizer budget, \$25K, helps to offset the overall budget increase. B&F asked about staff being certified to handle chems/ferts. The response was that present staff are being trained and will receive certification. While the present irrigation system is dated and the routine r&m expense is a growing concern, we will again postpone any replacement expenditure as outlined in the DMA study for this year. In the meantime, analysis of the existing system and plans for replacement will carry on.

**From Food & Bev**, in consultations between Ortt and OPA, revenue targets for this budget have been increased based on past performance and outlook for the coming year. Sales forecasts are still heavily weather dependent at all three venues. B&F inquired about Ortt's COGS expense given inflation's impact. Ortt reported that while wholesale prices have increased, they are able to negotiate volume discounts which has helped to offset those higher costs. However, liquor prices are up, and new added delivery charges have hampered margins.

**From Aquatics**, the biggest concern for Aquatics will be adequate staffing (lifeguards) for the coming season and the increased payroll budget reflects this need. Effort is underway to attract qualified staff and/or provide resources to train eligible candidates. While the Aquatics dept turned a modest operational profit in 2022 and anticipates the same for 2023, due to the demands of providing for a full and qualified staff, the proposed 2024 budget reflects a loss should full staffing be attained.

**From Capital/Reserves**, B&F advocates for funding of reserves in the ~33-35% range. GM suggested that a portion of the accumulated Retained Earnings, ~ \$1.5m, could be allocated to the reserves to ensure the desired level of funding is achieved. Post-meeting, B&F noted there is \$17K listed for Tennis Court Maintenance. There is also \$17K included in the Tennis ops budget under Contract Services, 'Redoing of Tennis Courts'. Is this a duplication of that expense?

**From Payroll Analysis**, GM suggested that another 1% increase should be considered given current indications for this year's labor market, B&F concurred that an additional 1% increase is warranted given present labor market conditions.

End of Executive Summary

**Ocean Pines Association**  
**Budget and Finance Committee**  
**2023-2024 Annual Budget Review Meeting Minutes**  
**Day One, Wednesday, January 4, 2022**

B&F Committee members present: Chairman Dick Keiling, George Solyak, Don Nederostek, Brian Reynolds, Don Bonafede, John O’Conner (Honorary B&F); Non-Committee attendees: OPA: General Manager John Viola, Director of Finance/Controller Steve Phillips, Senior Exec. Office Manager Linda Martin, Membership and Assessment Supervisor Ruth Ann Meyer, President Doug Parks, V President Rick Farr, Director Collette Horn, Director Frank Daly, Director Stuart Lakernick, Director Steve Jacobs, Director Monica Rakowski, and other OPA staff as noted; Media attendees: Cindy Hoffman, Bayside Gazette

Chairman Keiling called the meeting to order at 9:01a followed by the Pledge of Allegiance.

B&F Committee unanimously approved proposed agenda with acknowledgement that the order of dept reviews may be adjusted on-the-fly as schedule permits.

**Chairman’s opening remarks.** B&F Committee’s role is to review all budget materials, ask questions, and bring recommendations to the BoD and GM. OPVFD presented their proposed budget at B&F’s monthly December meeting, 12/28/22. Minutes from that meeting are included below. Brian Reynolds will provide meeting minutes. BoD and B&F members present are encouraged to ask Qs at any time. Special thanks to the GM and the entire OPA mgmt. team for preparing this year’s budget.

**GM Budget Presentation.** GM thanked B&F for their efforts over the year and began his summary review of this year’s budget. As before, using a bottom-up approach to building all dept budgets, all team members active and engaged on budget prep, lead effort by Steve Philips and Linda Martin. **This proposed budget includes a \$21 reduction in the base assessment, from \$896 to \$875. This reduction, while not our primary goal, is a direct result of our budgeting methodology. Also, the true-up component of this year’s budget is built-in to recognize favorability from the prior year’s retained earnings.**

All Ops dept budgets reflect continued increases in payroll and benefits primarily due to wage inflation, min wage increases, and higher benefit costs. Our amenities, led by Golf, continue to see year-over-year organic growth in revenues. **Most amenity rates have been increased based on feedback from the Strategic Planning Comm. and dept recommendations. Most rate increases are modest and are below this year’s CPI change.**

GM also noted: Budget reflects continued effort to improve OPA infrastructure including roads and drainage, addressing deferred R&M, and consideration of new capital projects, e.g., mailboxes. Increases in Aquatic’s budget reflect our continuing effort to recruit qualified staff (lifeguards). Pool staffing issues were front and center this past year and we have tried to communicate with members regarding those challenges. The decision to utilize the new culvert pipe re-lining process to improve drainage has been both economically and operationally successful. The Police budget also reflects efforts to recruit staff by way of the take-home car program, increases to 401k contributions, and salary adjustments. The DMA study continues to guide reserve replacement spending. The Bulkhead assessment differential remains the same for this year thanks to OPA sourcing various bulkhead materials in-house and locking in contractor \$/LF rates.

**Genl Admin, GM, HR, Finance, Membership, IT – Sections 2, 3, & 4**  
 Director of Finance/Controller Steve Phillips, Senior Exec. Office Manager Linda Martin

**Note: In some instances, you will see payroll and benefit line-item variations within different departments when comparing budget to budget or 2023 forecast to 2024 budget. This can result if labor allocations are redistributed to different departments, full time equivalent (FTE) combinations of full-time or part-time shift including people changing benefit options, and the existence of vacant positions from one period to next. Steve Phillips will share on the last day an OPA Salary Walk by Department/Amenity reconciling total OPA payroll accounting for merit increases, market adjustment increases for full-time and seasonal employees, and adjustments including reconciling vacancies.**

**Genl Admin** All assessment revenue is captured here, the reserve contribution is transferred from here and the Surplus Transfer is added as revenue. Also recognized as revenue are right of way fees, casinos funds, grants, interest income, etc. Larger expense categories here include legal fees, contract services, Insurance premiums, and taxes. **Depreciation expense is flat year-to-year, this needs to be updated for the new fiscal year.** GM noted the importance of our A/R dept and commended those staff involved with that process. **General Admin. Includes a \$40K contingency for a request of 1% increase in payroll for Mark to Market adjustments. B&F supports this.**

**GM** Budget increase due primarily to payroll and benefits. GM noted that the payroll includes additional FTE's this year as well as the costs associated with the new customer service initiative.

**Fin/Member** This budget includes HR and IT depts. Transfer fees are budgeted to decrease this year, and we've budgeted for an anticipated increase in merchandise sales. Service and Supplies categories have been consolidated from a budget standpoint. Largest part of Contract Services is for payroll processing. Overall, the budget reflects the expected decrease in Transfer Fees and the increase in payroll and benefits. B&F questioned the decrease in telephone expenditures, **GM noted that there was/is an initiative to reduce telephone expenses and cost savings have been recognized across all depts.**

**CPI – Section 6**  
 Senior Exec. Office Manager Linda Martin

The Arch. Review Committee recommended the addition of a business license fee, 1<sup>st</sup> year, \$75, renewal, \$50. CPI will maintain an (authorized?) list of businesses operating in OPA. Also included is a new Tree Permit Fee, initial filing, \$35, Inspection, \$80. No plan for increasing CPI staff, currently have 2 FTE's and 1 PTE position currently unfilled. CPI fees have not been changed since 2019, **B&F asked if these rates have been considered for an increase. B&F recommended that all CPI fees be reviewed.** Overall, the budget reflects anticipated increases in revenue together with minor cost savings. GM noted that staffing changes have allowed more efficient allocation of personnel across the organization, thus helping a smaller dept like CPI to function without significant manpower increases.

**PR/Marketing – Section 5**  
 Marketing Coordinator, Julie Malinowski

No major changes to PR/Marketing budget for this year. Ad sales for the OPA Report are strong so we budgeted for a revenue increase there in the coming year. Contract Services include costs for a graphics

design contractor who assists with all OPA print publications (4 quarterly Newsletters, 2 semi-annual Activities Guides). We anticipate savings on printer costs this year, we work closely with vendors to watch those expenses. The largest portion of Promotions expense is for OPA's own marketing efforts. We continue to focus our ad dollars on best targeted markets, e.g., local newspaper ads and wedding/reception ads. OPA continues to invest heavily in our social media presence, it's a low-cost, high-return platform. B&F asked if having an OPA 'App' would be beneficial for pr/marketing? Julie shared that the 'mobile' version of our main website provides users with a decent experience, but no plans for a dedicated app at this time. **GM noted that OPGC has a dedicated pr budget for golf packagers while the PR/Mkt Promotion expense covers the rest of OPA amenities including general golf marketing. GM would consider a re-alignment of all pr/mkt expenses if someone wants to make the case for such a move.**

#### **Genl Maint, PW, Bulkheads & Waterways – Sections 7, 8, & 9**

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

**Genl Maint** Payroll/Benefits generally flat year-to-year. B&F asked if there are any changes to FTE's? Answer, no. Slight increase to Gas/Oil and Supplies expense. B&F noted that Building Repairs (Genl Maint) budget is significantly higher than the projected actuals for this year. It was noted that the \$220K is a single budget item that represents all of the R&M expenses where the actuals are broken down by facility. GM expects more repairs to be completed in the coming months that will bring the actuals more in-line with the budget. The total Repairs & Maintenance (line items) year-to-year budget (~\$221K) remains flat.

**PW** Largest budget item increase is in Payroll as noted by B&F. Increase reflects additional funding for open positions as well as min wage and merit increases. County Roads funding is variable, budgeting the same as last year, there's no way to forecast an actual year-end total. Modest increases in the Services & Supplies and Utilities budgets count toward an overall budget increase above the prior year.

**GM addressed Leaf Removal proposal that is still being discussed and hashed out.** PW looking at options but plans so far could include: pw yard open to members with paid sticker only, May, Nov, & Dec. and at other times by appt only. Contractors will no longer be permitted to dump in the yard. The Bagged Leaves Policy (OPA and Republic) will be maintained. The current vacuum truck ditch leaf removal schedule will cease. The vacuum truck will be reserved for special use only. It was noted that too many members are now raking whole yards out to the ditch. Vacuum truck operation and pw yard debris removal are the top two expenses. GM is looking for guidance on the best way forward. **B&F supports the proposed changes to OPA's leaf removal policy including paid access to the pw yard for members, discontinuing contractor access to pw yard, and changes to the vacuum truck usage. BoD must review and approve any changes to leaf collection policy.**

**Bulkhead/Water** The projected revenues represent the total contracted amount of linear feet of bulkhead to be replaced during the fiscal year. No budget for Storage Rental this year, it's no longer needed given current logistics. Budgeted expenses equal out to allocated reserves funding for the fiscal year. GM reiterated OPA's objective to have this work done prior to Memorial Day so as to not interfere with seasonal activities. **Our preferred vendor will be completing repairs at the yacht club marina and other emergency work this year. This relationship has afforded OPA with very favorable quotes for bulkhead replacements.**

Director of Recreation and Parks Debbie Donahue, Dockmaster Ron Fisher,  
Senior Exec. Office Manager Linda Martin

**Recs & Parks** Some revenue sources are now broken down further to allow for better tracking. Some revenue streams are expected to pick up following the covid downturn including Facility Rental, League Fees, and Special Events. Various rates will increase for the new year. Total revenue reflects year-to-year increase of approx. \$46K. Northstar configuration has allowed closer monitoring of COGS. Payroll increases reflect min. wage hike and merit increases. Services and Supplies expenses are up, primarily in Contract Services while all other expenses are up slightly. **All Recs and Parks facilities are operating at peak capacity, more space would provide opportunities to enhance available programs and increase revenue. Demand for services has increased following the covid downturn. R&P mgmt. routinely evaluates offerings vs available resources to develop new events and programs, e.g., haunted house, expanded July 4<sup>th</sup> celebration, and return of bus trips.**

**Marina** GM noted that important infrastructure work will be on-going this Spring at the YC marina, and he wanted to have proper attention paid to these efforts during this budget cycle. Slip rates are increasing ~5% over last year. The payroll expense increase is mainly attributable to min. wage hike. **GM noted that the marinas have consistently produced ~\$225-250K net ops profit each year over the last several years and, accordingly, OPA will be investing in necessary upgrades and improvements with eyes on continuing those positive results.**

#### **OPVFD, Fire/EMS – Section 10**

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

**Note: OPVFD presented their detailed 23-24 budget proposal at B&F's monthly December meeting held on 12/28/22. The minutes that follow are from that meeting.**

**Note: These minutes include any additional discussion points from the January 4<sup>th</sup> follow-up briefing.**

The OPVFD presented a summary page detailing expenses, revenues, reserves, and new capital. In total these reconcile with the budget page submitted by S. Phillips within the budget package (except for a minor adjustment for reserves). It was a bit confusing and cumbersome to go back and forth between both documents. S. Phillips's spreadsheet had prior-year actuals and current YTD actuals, which is excellent information in addition to the proposed budget. OPVFD's spreadsheet comes from QuickBooks making the line-item comparison not always apples to apples even though the grand totals are correct on both sheets. **B&F recommends for the future that we either use S. Phillips' spreadsheet during the review or the OPVFD adds the prior year actual and current YTD numbers to their spreadsheet out of QuickBooks.**

**Expenses** Member expenses have increased \$5K. It was noted that this is significantly lower than the prior year's actual figures. OPVFD felt comfortable that the \$14K budget number was good.

Utilities are up \$6K from the previous budget due to higher costs.

Repair and Maintenance was budgeted at \$80K last year. The request for 23/24 is \$50K or \$30K less. In prior years with the old building, there were mold and gas line issues. Last year OPVFD spent \$19K and this YTD they have spent \$14K. While this number is tough to peg given the building issues, **B&F is requesting the OPVFD take a second look at this to see if this is reasonable or if it should be adjusted downward.**

General Fire Expenses are increasing \$5K over last year's budget. This is for replacement of items on the fire trucks such as hoses, fittings, etc.

Turnout gear is up \$5K. Raw materials are going up and some aging turnout gear needs to be replaced.

EMS expenses are for single use items per call. Costs have increased significantly.

EMS billing expenses are a percentage of billings from our third-party provider. We are not seeing much in YTD actuals for this. OPVFD will take a closer look here. Maybe this is being netted out with revenues collected or part of a year-end adjustment.

Fuel costs are increasing \$21K to \$46K over the previous year's budget. Prior year it was \$32K. This is a tough number to peg given the cost fluctuation of fuels.

**Compensation and Related** Payroll and Wage expenses. One Full Time Equivalent (FTE) is being added for a Fire Fighter/EMS position. This provides daytime coverage and allows us to keep pace with standards. Part-time labor is requested at \$54K, which is down from last year's spend of \$89K. This is in part due to the mix of full-time workers. It was estimated that part-time labor is the equivalent of 1.5 FTE's. In total we are operating with 19.5 FTE's as requested in the new budget.

While health insurance rates have increased, the total budgeted request is \$4K less than last year. This is due to the mix of people changing or eliminating insurance.

OPVFD pays into a 403(b) for 8% of total salary. A person must participate in the plan as well by putting in some of their own money.

Worker's compensation was reduced from \$64K to \$50K from last year's budget. This is excellent and a reflection of safe operations.

Throughout you see expense variances up and down, which is what you would expect in a bottom-up review.

**Revenues** EMS billings of \$520K are budgeted equal to the prior year's actuals, which is two years removed from next year's budget. **B&F recommends OPVFD review this estimate looking at current trends and fees to see if this should be adjusted upwards given the increases in medical costs over a two-year period. It was mentioned the department will be looking at a new service provider for handling billings with insurance companies. It is recommended that any discussion with the current or potentially new service provider include options to increase billing revenue.**

County EMS revenue is increasing \$130K from last year's budget. The formula for this funding includes an additional personnel adjustment. Most of this is from our out of area EMS calls.

Interest revenue is increasing \$43K over the previous year's budget. The department's audit firm assisted them in an analysis to estimate interest revenue from investments given the higher interest rates available in today's marketplace.

In total the OPVFD is requesting \$1,009K from OPA, which is \$53K less than and what was budgeted and requested last year.

**It should be noted that the amount requested by OPVFD was corrected to \$995K during the 1/4/23 budget meeting.**



**Police Dept. – Section 11**

Director of Finance/Controller Steve Phillips, Senior Exec. Office Manager Linda Martin

Additional grant funding is anticipated from the County, ~\$75K, thus bumping up revenue for this budget cycle. **Payroll is the largest part of dept expenses which includes funding for 5 open positions. 2 recruits are scheduled to attend the academy immediately with 3 open positions remaining.** Continuing efforts to attract qualified candidates include increased salary/benefits, enhanced 401k contributions, and the take-home vehicle program. **Vehicle Gas budget estimate appears low, will revisit and adjust as needed.** Contract Services is a bit lower than last year but does include funding for the BodyCam contract. Other budgeted expenses remain flat year-to-year.

**Racquet Sports – Section 13**

Director of Recreation and Parks Debbie Donahue

**Tennis** Classes, Clinics, & Lessons revenue now managed in single ledger account. Slight increase in revenues expected while all expenses remain relatively flat. Rates have been increased generally ~4%. **The Racquet Sports manager job has been posted, still hoping for a candidate with experience in all 3 sports. ~\$45K salary for this position is included in this budget, an increase from the vacated position.** Special annual maintenance effort required for the tennis courts; this \$17K expense is included in Contract Services.

**Pickleball** Membership numbers are up with a corresponding rise in fee revenue while drop-in fees are projected flat year-to-year. Rates will increase to the 3-4% level. Increase in memberships driven by overall interest in sport, increased availability of courts/court time, and favorable comparisons to other area venues. A revenue enhancement plan includes ramping up Special Events. **The status of Racquet Sports Pro Shop building was discussed. Plan going forward includes budgeting for the renovation in 24-25 budget, likely using the existing foundation. The warming hut will also be included in any reno plan.** The Racquet Sports Committee has been actively involved in this project. Detailed plans are in the works.

**Platform Tennis** Progress is being made to increase memberships; thus, fees are budgeted slightly higher for the new year. In an effort to attract new players, most rates will remain the same as last year. **GM noted that all three racquet sports have been trending positive over the last few years and expectations are that will continue.**

**Beach Parking – Section 19**

Director of Recreation and Parks Debbie Donahue, Membership and Assessment Supervisor Ruth Ann Meyer

Budgeted revenue has increased over last year and is more in-line with the posted 22-23 actuals. Seacrets lease payments increase modestly per the contract agreement. Payroll increase driven by additional security and bathroom staffing. All other operating expenses remain flat, so the increase in total Net Operating is a result of anticipated higher revenue. Overall, parking rates have increased ~14%. **B&F expressed concern re: the increase for base parking is 16% and the increase for all parking options averages 14%. B&F recommends this be reviewed as the increase is much greater than inflation. GM and staff considered the supply and demand factor for parking in OC, felt the higher rate was warranted, will reconsider a lower increase after consultation with staff and the BoD.** Meeting adjourned ~2:00p

**Ocean Pines Association**  
**Budget and Finance Committee**  
**2023-2024 Annual Budget Review Meeting Minutes**  
**Day Two, Thursday, January 5, 2022**

B&F Committee members present: Chairman Dick Keiling, George Solyak, Don Nederostek, Brian Reynolds, Don Bonafede, Yvette Tanious; Non-Committee attendees: OPA: General Manager John Viola, Director of Finance/Controller Steve Phillips, Senior Exec. Office Manager Linda Martin, Membership and Assessment Supervisor Ruth Ann Meyer, President Doug Parks, V President Rick Farr, Director Collette Horn, Director Frank Daly, Director Stuart Lakernick, Director Monica Rakowski, and other OPA staff as noted; Media attendees: Cindy Hoffman, Bayside Gazette

Chairman Keiling called the meeting to order at 8:59a. Today's updated agenda was presented, and all agreed ready to proceed.

**GM opening comments:** Compliments to all involved, over 20 OPA staff presenting budget info, finance dept produced all pertinent budget data in a timely fashion, staff and mgmt. have worked diligently over the prior months to get OPA's 23-24 budget formalized and ready to present. As requested by B&F, Payroll Analysis (5-year walk thru) available today for review. Also, ready to brief on Reserve and Capital spending for the new fiscal year including 5-year look utilizing the DMA study. Reminder that this year's budget, as in recent years past, reflects continuing increases in payroll costs, driven by competitive wage inflation, min wage hikes, merit increases, and higher benefit expenses.

**Golf Ops/Maint – Sections 15 & 16**

Director of Golf Bob Beckelman, Director of Golf Maintenance Justin Hartshorne

**Ops Revenue projections include an increase in golf packager rates; however, these new rates still compare favorably to local market competition. Golf range income was strong this year and we budgeted for a revenue bump. Anticipating a cut in merchandise revenue due to expected lower golf club sales. The Director wants to focus on higher margin merchandise.** Payroll increases driven by market factors as previously mentioned. The rise in the number of rounds played on the course is expected to continue, which will drive increases in greens and cart fees. Course conditions have been very favorable which does contribute to an overall increase in rounds played.

New golf packager rates range from \$85-105 per round in-season. **OPGC is charged a \$5 fee for each round booked through packagers and that fee is recognized in the Promotion G/L account.** It was noted that OPA member rates have increased at various percentages. Rates were adjusted after careful review by mgmt., weekend rates were increased due to demand.

**New initiative to expand lessons, clinics, and summer camps will be driven by independent PGA instructors who will provide those services to members and guests. OPA will garner a 20% share of any instructor-led service fee** and mgmt. feels that the demand is there for these services, which will likely contribute to enhanced revenues.

**Maint** GM introduced Justin Hartshorne, recently promoted to Director of Golf Maintenance. Payroll increases reflect the largest change to this year's budget. Although there are no new FTE's, we are working to retain qualified personnel via 'mark to market' wage and merit increases. Key personnel have

been recognized and where possible moved from PT to FT status. **A significant reduction in the Chemicals & Fertilizer budget, \$25K, helps to offset the overall budget increase. B&F asked about staff being certified to handle chems/ferts. The response was that present staff are being trained and will receive certification.**

The golf course irrigation system was again discussed as it pertains to reserve expenditures and mgmt. of the replacement via the DMA study. **While the present irrigation system is dated and the routine r&m expense is a growing concern, we will again postpone any replacement expenditure as outlined in the DMA study for this year. In the meantime, analysis of the existing system and plans for replacement will carry on.** It was noted that there is \$20K in this budget to cover the design of the system and installation will be contracted out to a qualified vendor.

#### **Food & Bev (Beach Club, Clubhouse Grill, & Yacht Club) – Section 17, 18, & 20**

Matt Ortt Companies, Matt Ortt, Managing Partner, Stuart Diepold, Managing Partner/Corporate Chef, Lewis Sherman, Director of Operations

Matt Ortt introduced his team and briefed participants on Ortt's strategies as pertains to OPA F&B operations. All venue budgets are developed against the backdrop of the contractual obligations between Ortt and OPA. **In consultations between Ortt and OPA, revenue targets for this budget have been increased based on past performance and outlook for the coming year. Sales forecasts are still heavily weather dependent at all three venues.** Ortt continues to look at ways to build and enhance revenues, e.g., unique entertainment options at the Yacht Club and special events at the Clubhouse. Banquet (wedding receptions) revenue continues to be strong and bookings for the coming season are up year-over-year. While Banquet revenues have increased from last year's budget, they are still somewhat conservative when compared to this year's forecast. Matt Ortt was comfortable with the budget call here. The Beach Club revenue budget is also somewhat conservative as well, providing for a weather factor when compared to this year's forecast. Any additional revenue will ultimately contribute to a 50/50 share between OPA and Matt Ortt on the bottom line.

Ortt was confident that the new marina T-docks (temporary docking) have brought in additional summer business and they would welcome ways to increase that capacity. **B&F inquired about Ortt's COGS expense given inflation's impact. Ortt reported that while wholesale prices have increased, they are able to negotiate volume discounts which has helped to offset those higher costs. However, liquor prices are up, and new added delivery charges have hampered margins.**

#### **Aquatics– Sections 14**

Director of Aquatics Kathleen Cook, Senior Exec. Office Manager Linda Martin

Revenues are budgeted for a year-over-year increase of ~\$48K, primarily from an anticipated increase in Dues. Swim rates are adjusting up modestly and well behind the rate of inflation. **The biggest concern for Aquatics will be adequate staffing (lifeguards) for the coming season and the increased payroll budget reflects this need. Effort is underway to attract qualified staff and/or provide resources to train eligible candidates.** It was reported that OPA Aquatics operated at 50% staff capacity in 2022 and mgmt. is doing all they can to recruit for 2023. **While the Aquatics dept turned a modest operational profit in 2022 and anticipates the same for 2023, due to the demands of providing for a full and qualified staff, the proposed 2024 budget reflects a loss should full staffing be attained.**

#### **Capital/Reserves – sections 22 & 23**

General Manager John Viola, Director of Finance/Controller Steve Phillips,  
Senior Exec. Office Manager Linda Martin

**Reserves** Fin. Director briefed committee on this year's reserve funding budget worksheets. A four-year history was provided for all accounts and this year's budget follows similar guidance on funding and spending targets. The DMA Reserve Study continues to guide future planning for reserve balances and all indications are that OPA is meeting and/or exceeding reserve funding target levels for the next 5 years.

**B&F advocates for funding of reserves in the ~33-35% range . GM suggested that a portion of the accumulated Retained Earnings, ~ \$1.5m, could be allocated to the reserves to ensure the desired level of funding is achieved.** Setting higher levels of funding is an important goal and the GM is confident that we are headed in the right direction.

**Capital** Office Mgr. provided line by line review of capital expense sheet for this budget totaling ~\$400K. Significant items include Aquatics \$25K furniture, \$27K pool covers; Beach Club \$12K furniture; Golf Maint., \$20K irrigation design work; PW \$65K equipment; Rec & Parks \$44K rec pier, \$68K kayak launch; Yacht Club \$18K kitchen equipment. Total Capital spend, \$400K, ties into reserve accounts reconciliation. **Post-meeting, B&F noted there is \$17K listed for Tennis Court Maintenance. There is also \$17K included in the Tennis ops budget under Contract Services, 'Redoing of Tennis Courts'. Is this a duplication of that expense?**

#### **General Discussion, Review, Action Items, & Recommendations**

**Payroll Analysis (Salary Walk)** As discussed throughout the briefings, increases in salary and benefits across all departments are a significant factor in our overall budget planning. These increases are driven by various factors including wage inflation, mandatory min wage hikes, 'mark to market' and merit pay, and our effort to recruit qualified personnel for Aquatics, Police, Racquet, etc. We have included funding in this budget for available, open positions in the aforementioned depts. The merit pool increase reflects a 3% distribution and overall payroll is up ~4%. **GM suggested that another 1% increase should be considered given current indications for this year's labor market**, and he felt strongly that the entire OPA workforce is producing significant organizational returns and it was important to recognize those accomplishments. The GM also expressed the desire to have an outside payroll review completed ahead of next year's budget. **B&F concurred that an additional 1% increase is warranted given present labor market conditions.** B&F inquired about payroll benefits as a percentage of overall expense, Fin. Director quoted approx. 30%, which is on par with current industry averages.

**Closing Comments** It was agreed that for next year, a two day budget review schedule would be appropriate.

Meeting adjourned ~11:14A