

BUDGET & FINANCE MEETING MINUTES

10-9-19

Attendees: Dick Keiling, Bob Kessler, John O'Connor, Tom Piatti, Jeff Knepper, Mary Decker, Larry Brown, and Brian Reynolds; Non-Committee: Larry Perrone, Doug Parks (on phone for first hour), and Gene Ringsdorf

- Special Meeting to provide feedback to Board on Revenue Recognition and a New Capital Reserve and Funding/Budgeting Plan.
- Our revenue recognition policy across the board as practiced by OPA is supported by B&F. With respect to Coupons;
 - All coupons purchased for the fiscal year 5/1/19 to 4/30/20 will expire as of 4/30/20. There will be no carry forward for these coupons into the next year. Admin. has been steadfast in reinforcing this through the year. Maybe more communication to community at large is needed here??
 - B&F recognizes and supports the Board's decision to continue to honor coupons purchased for the period prior to 5/1/19.
 - B&F supports the Operation's team firming up the amount of unused coupons at the close of this fiscal year. At budget time we will assess the potential budget impact, if any at all.
 - B&F supports the Operation's team establishing a mechanism to handle any potential future carry over into the next fiscal year. This is something the Operation's team recognizes and is willing to do. It's also recognized that the current demands on the team are very high given the implementation of Northstar.
- New Capital Reserve and Funding/Budgeting for same
 - Team had a lengthy discussion on budgeting for New Capital. This involved reviewing the current discussion in front of the Board and a previous submission by Gene Ringsdorf to B&F. We thank Larry and Gene for helping us fully understand each approach.
 - All but one team member agrees that we do need a formal *New Capital Reserve* and Budget Plan.
 - Essentially the two approaches are:
 - Identify and approve Projects/Purchases up front to be spent in the current and/or future years and fund them – as appropriate - as part of the *current assessment*. If the estimated acquisition cost for a New

Capital Item is large, then the funds should be collected via assessments over two or more budget years (i.e. Gene Ringsdorf plan).

- Identify a pool of money to apply to New Capital Projects/Purchases and fund that money by earmarking a reduction in targeted Replacement Reserves for that year (**up to** 10% of the contribution to Replacement Reserves). At 10% of estimated contributions to Replacement Reserves the average pool available for New Capital would be \$237K per year over 5 years (i.e. Larry Perrone plan).
- For both, this would include our smaller purchases of equipment and related acquisitions. We have been spending ~ \$140K on these smaller purchases (less than 1% of our overall expenditure spending) per year on average over the last 5 years after dropping out the unusual low year of 2018. Even if we don't know all of our needs at time of budgeting, it's safe to assume these types of expenditures are going happen each year. Should be noted that Gene's plan only includes individual capital items that are approved.
- All but one B&F member supports having a formal New Capital Reserve and funding/ Budgeting Plan to ensure we allocate funding for needed purchases.
- The team was split down the middle on how we accomplish this.
 - One camp supports the plan put forth by Larry Perrone
 - The other camp supports the proposal put forth by Gene Ringsdorf.
 - Since most New Capital Acquisitions appear to be for smaller purchases as opposed to big projects the team can accept either approach as a viable alternative.
 - If Larry Perrone's idea is accepted, B&F wants to see controls built in keeping an eagle eye on replacement reserves where a flag is raised if we see a problem on the horizon. If the board desires detailed information on Gene's proposal, B&F would arrange to provide the information.
- Reserve Projections.
 - Gene Ringsdorf reiterated his willingness to work with our Accounting Manager who is taking over reserve analysis, review and projections. This is strongly recommended in order to bring our new person up to speed on this specialized work.