

## BUDGET AND FINANCE ADVISORY COMMITTEE MEETING Minutes

February 27, 2023

Attendees: Dick Keiling (Chairman), Don Nederostek, Brian Reynolds, John Wherrity, Don Bonafede George Solyak, John Viola, Monica Rakowski (Board liaison), Steve Phillips, Linda Martin

Absent: Yvette Tanious

Meeting called to order at 9:07 AM

**1. Introduction of New Member** – John Wherrity. John comes to the committee with a strong background in Finance/CPA. Welcome John.

**2. Public Comments:** None

**3. Approval of meeting minutes 12/28/22:** Approved

**4. Recording of Committee Meetings**

There is an interest by some members to have the OP Committee meetings recorded. Presently there are 2 OP Committees that have the meetings recorded. B & F has not had meetings recorded. OP BOD is reviewing this issue. After discussion, B & F will follow direction from the OP BOD on recording meetings.

**5. January Financials:**

A. POSITIVE operating fund variance for January of \$43,120. Revenues were over budget by \$18,414 and total expenses were under budget by \$24,706.

Positive year to date operating fund variance of \$1,079,014.

Revenues are over budget by \$946,618 and total expenses are under budget by \$132,396. It is noted that YTD Expenses are 1.2% under budget. YTD Revenue is 6.7% above budget with Yacht Club 62% of the revenue and Golf 23% of revenue accounting for 85% of the positive variance.

B. There was discussion on the Food & Beverage positive to budget and Golf positive to budget. The Budget for this year appears to be low for both of these departments. It was noted that the 23-24 budget did tighten up the revenues to get what should be a more exacting number for the year.

C. Net Operating report:

a. Compliance and Permits YTD 28K negative variance. John Viola explained that this is a result of the home sales dropping off for the year due to the current housing climate.

b. General Admin shows a 14K positive variance for the month. This is due to the prorated new assessment for the new OP Triple Crown development off King Richard Rd.

c. Public Relations shows a 9K positive for January resulting and 11k positive for the year to date.

- d. Public Works is positive for the month with 7K road revenue from the county. There is positive variance YTD. Labor is positive for the month by 19K primarily due to open positions that have not be filled. Public Works continues to use contract labor to handle selective projects.
- D. Parks and Rec shows a positive variance of 11K for the month and 95K YTD. As the year continues this will decrease as the winter months are not strong producers of revenue. Forecast for year-end is a negative 31K.
- E. The Committee reviewed the sample detail department report for Parks and Rec that SP prepared for B&F. The Committee would like this report in the package that B&F receives monthly. B & F is considering Parks and Rec as an amenity and would like this report included in the monthly package. JV stated that B&F should ask their BOD liaison to review the request and if the BOD agrees to have the report included, Finance will do so. The request was made to Monica Rakowski (Board Liaison) to review this proposal.
- F. Platform Tennis did not have Wages and Benefits in the budget column. Was this an oversight? SP to review.
- G. JV reviewed the status of the Building at the Racket Center. The building will need to be replaced and JV is working with Frank Brown for design to begin the process for next year.
- H. Yacht Club Other YTD costs were reviewed. Current Other Costs is 499K. SP explained that this is primarily \$200K accrual for Matt Ortt bonus, 100K insurance and 90K entertainment.

#### **6. Reserve Study/Capital Expense:**

- A. Road's reserve and spend were reviewed. Currently 225K is spent. Budget is 350K. Work to resume in March and April with the warmer weather. JV advised full schedule is available and can be requested by the BOD liaison for B&F.
- B. The "C" dock repair is in the Capital Summary with each part of the repair separated out.
- C. The Beach Club was briefly discussed and B&F recommends that when due for renovation that there be limited expenditure for the second level as this is very seldom used and, in all likelihood, will not be used.
- D. B&F asked if the modifications to the North Entrance Bridge to meet the SHA requirements are still to be done. JV advised that the requirements turned out to be more than expected so not done as of now. Materials are on order and work to be done when they arrive.

#### **7. Balance Sheet:**

- A. It was noted the inventories are down in Golf and "Inventory Other" which is primarily Parks and Rec. Golf inventory was evaluated and old inventory was brought to the forefront for sale. JV explained that as time now was available the Parks and Rec inventory was evaluated and has now depleted this by projects and other items.

- B. B&F questioned the Unappropriated Earnings of 1.4 mil prior year. Of this 650K went to Road Reserve, 100K to Drainage and 30K to New Capital in the 23-24 budget. 693K remains in reserve to use for any needs that may arise.

**8. Cash and Investments:**

- A. Cash and Investments were reviewed. No issues. JV advised greater detail is available should B&F desire to review further.

**9. Policy/Procedures:**

- A. There was discussion on the Policy and Procedure manual and updating. B&F had received copies of the first 4 sections to review. The discussion centered around procedure vs policy. After discussion it was determined that the procedures are the detail for each department/function as a reference tool for the staff. If requested B&F would be happy to review. The overall financial policy manual will be reviewed by B&F.

**10. Summary Financial Performance and Approved Budget.**

- A. JV reviewed the current 1.9mil positive performance. 90% of revenue growth is organic growth. 10% is the expense reductions. There are still positions to fill and, in these cases, we have utilized outside contractors. Work is still getting done. All Departments continue to operate with cost in mind. The team is doing excellent work.
- B. JV reviewed the final budget that resulted in a \$13 decrease in the assessment to \$883. It is noted that there is no increase in the rates for amenities for residents. A couple's rate category was added to Aquatics which was an increase for the assessment. The main drivers for the reduction are: Insurance was determined to be less, which accounts for \$7 of the decrease; Consulting fees reduced primarily for the police. The Sheriff's department can assist in this area. This accounts for another \$5 of the decrease. Yacht Club revenue was increased and Aquatics hired 3 life guards thus eliminating cost that was projected. These changes affected the final amount of the reduction.

**11. Review Qualifications of institutions providing Banking an investment services/ Resolution F-01:**

- A. DB presented his review of the investment/banking services provided to OP. Investments are spread over different banks by Bank of OC to assure that all are federally insured at the 250K amount. Don has reviewed the financials of Bank of OC and the bank is in strong financial health. B&F will request on an annual basis that the Bank of OC provide OPA the BOC Call Report to facilitate B&F's annual financial review.
- B. Resolution F-01 Investment Guidelines. This resolution requires B&F to review investments and investment guidelines to assure OP keeps up with changing financial conditions. B&F

will set a time for this review. DK, DB, and OPA Treasurer will conduct the review with the administration team.

**12. Action List**

- A. OPA Detail pages for monthly financial reports. B&F requests this detail report for the Parks and Rec Department. B&F liaison MR to request to BOD to have GM provide the report.
- B. Policy Manual: Continuing project with concentration on Policy not procedure. Doug Parks will be publishing next draft.
- C. MOU for OPVFD: B&F will request update on status of capital campaign fundraising project. Past indication was the MOU would be developed following the fundraising.

**13. Other Comments/Questions: None**

**14. Meeting Adjourned 11:17 am**