

**The Oceanage
Finance Committee Meeting Minutes
August 16, 2024**

Attendance:

Committee Members Present:

- Ed Paneque (#164) – Chair
- Mike Crowley (#272) - Treasurer
- Jody Dreyfuss (#107/108)
- David Burka (#186/187)
- Luis Sanchez (#190)

President Present:

- Ed Nappa (#209)

Property Manager Present:

- Sean Arena

Agenda:

- 1) Introduction/Opening Remarks
- 2) Review July 2024 Financials
- 3) Financial/Operating Procedures
- 4) Spending Authorization Procedures Policy
- 5) Capital Projects
- 6) Other Topics/Open Discussion

Discussion:

- 1) Ed P. provided a quick overview of some of the challenges on getting financials and responses to questions raised in a timely fashion, some of which were not fully resolved prior to this meeting. Please note that 2 adjustments were made to the financials post-finance call as of 8/28/24– a) 3Q Reserve collections made in July were not transferred to the Reserve account and were not recorded as income or expense nor reflected in the Due to/from accounts. These entries were made to properly reflect this; b) It was determined that we are still paid 2 months in advance on Health Insurance. Entries were made to properly reflect that.
- 2) Mike C. led the review of financial activity:
 - a) Cash balance sweep accounts – Centennial Bank has a minimum \$250,000 balance requirement. Amounts above this balance get swept daily into an interest-bearing account utilizing the “Intrafi” system that is common among many banks. The minimum balances act as compensating balances to reduce/eliminate operational banking fees. Mike C. will investigate further if there are any options with the bank.
 - b) Due to/from Operating Reserve accounts of (\$142,919) are mostly due to 1) 50 year certification costs totaling \$51,870 that were paid from the Reserve fund, but coded to operating expense (account #8530) and 2) 3Q Reserve Income of \$95,250

collected but not transferred to the Reserve account until August. The 50 yr Cert cost expense coding is consistent with prior year tracking of these costs. Total 50 yr Cert. costs over 2023/2024 are approximately, \$307K. Some discussion on whether these types of costs (or some of them) should be reserve costs or operating cost ensued. Determination on such was tabled until we complete our full analysis on the Reserve Study, current expected capital needs, all cash balances and reprojection of operating budget and reserve accounts.

- c) Operating Cash at 7/31 was approx. \$429K, which includes \$117K of Assessments Rec'd in Advance and \$143K of amounts due the Reserve account, resulting in "effective" cash balance of \$169K.
 - d) Overall July Operating P&L is over budget by \$47K due and YTD July overbudget \$36K mainly to the 50 yr Certification costs incurred prior to the timing of these amounts expected to be incurred. Other major variances will be discussed below.
 - e) Dock Income is unfavorable (YTD \$1.2K) due to roll over. July is basically on budget. However, we need to follow up on the current Dock leasing list.
 - f) Insurance variances are due to timing of payments made.
 - g) Payroll overbudget July \$9K/ YTD \$2K due mostly to retaining admin help. Other payroll items to be analyzed and are confidential as it contains personal information.
 - h) Health premiums were paid in advance. Still researching getting proper credit from carrier.
 - i) Fire Extinguishers over budget (\$1.8K for July; \$3.2K YTD) due to replacements required as a result of inspection findings.
 - j) Security favorable (YTD \$6K) as expected increases in rates have not been realized.
 - k) Beach Reconstruction favorable (YTD \$15K) due to timing/need.
 - l) Contingency/50 Yr Cert Overbudget July \$41K; YTD \$56K, due mostly to timing of budget versus actual. Total 2024 budget is \$125K, which would account for the variance. Research is being done to verify if any more 50 yr cert. costs will be incurred.
- 3) Ed P. led a discussion on electronic banking. Regarding Collections, we currently have approx. 75% of owners pay electronically. The owners that pay manually are typically long-time older owners that value the manual payment process. We do not have collections issue, so no need to further investigation into requiring electronic payment is deemed necessary at this time.

Regarding disbursements, Ed P. explored this with Sean and Kathy(at Centennial Bank). Electronic signatures will require the use of a 3rd party software, such as BillPay, and will have costs associated with it (per item charge and a flat monthly fee). It would require some initial set up time and training as well. Some operational efficiencies should be realized, but a potential risk of proper review and authorization may also be realized. We currently have on-site board members that have been signing checks, so disbursements are getting out timely. Further investigation will be done.

- 4) Ed P. led a discussion on the Spending Limit Authorization Policy. Ed P. prepared and shared a revised version of the Policy that was presented earlier in the year, which was the result of various discussions and input from Mike C, Ed N. and David Ploog (and others throughout the last few months). The revised version attempted to clarify the Purpose of the Policy and restructured what would be considered "Guidelines" and "Required Authorizations".

The Required Authorizations, including vendor approvals, contract approvals and check signing, was discussed at some length. It was decided to table the discussions to allow for further analysis of the structure of the policy to ensure that it is clear and allow for a proper adherence to the policy. John P. mentioned that adherence to state law regarding HOA contract approval be considered when revising the policy.