



FY21 Working Draft Proposed Budget Coronavirus Pandemic Impact Summary

Provided to the Board of Trustees on April 23, 2020
in advance of the April 28, 2020 BOT Budget Workshop

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Introduction

The FY21 Working Draft Proposed Budget (WDPB) was the culmination of 5 months of work among staff and the BOT with fiscal numbers being fixed on Friday March 13, 2020. Unknown to most people was the dramatic growth in the Coronavirus pandemic over the subsequent weekend and the Monday morning commencement of closures of BBRD amenities. Further unknown is how the current pandemic will end and when if at all operations return to normalcy. However, what is known is the requirement for BOT to adopt a budget for FY21 by the end of June 2020 which requires decisions to be made within the next few weeks to meet the Policy Manual's proposed budget mailout to property owners requirement (authorization for mailout is the May 26th BOT meeting this year).

The BOT should not excessively worry about making the "right" decision regarding specific fiscal decisions as staff will continue to monitor revenues and expenditures on a monthly basis. The BOT should focus on the proper direction they believe the organization should proceed. If any significant deviations from anticipated trends appear, staff will quickly make adjustments where possible and/or bring recommended new course of actions to the BOT for consideration and adoption.

To provide a roadmap for the BOT's decision making, staff proposes the following schedule to amend the FY21 WDPB with tentative dates in parentheses:

- Provision of Revised FY20 Year-end Estimate (department and sub-department level) information by staff to the BOT (April 23rd)
- Consensus of likely pandemic scenario by BOT (April 28th)
- Consensus of likely economic scenario by BOT (April 28th)
- Consensus FY21 priorities by BOT (April 28th)
- Revision FY21 line-items by staff and submittal to BOT (May 2nd)
- Review of revised FY21 line-items by BOT (May 5th)
- Consensus on FY21 Proposed Budget to be considered for mail out to property owners (May 7th)

Likely Pandemic and Economic Scenarios

To facilitate the revisions of revenue and expenditure projects for FY20 Year-end Estimates and the FY21 Proposed Budget, the BOT needs to agree upon the most likely overall pandemic related scenario (#1 through #4) and then settle upon which economic scenario (A, B or C) that will allow staff to revise the FY21 Proposed Budget Numbers.

1. Return to normal this summer (very doubtful)
 - a. Economy recovers this summer
 - b. Economy starts recovering in Dec. 2020
 - c. Economy remains very poor through FY21 (Sept. 30, 2021)
2. Social distancing and reduced capacity continue through end of FY20 (Sep. 30, 2020), phased out through Oct.-Dec. 2020, and back to normal beginning in Jan. 2021 (doubt this will happen)
 - a. Economy recovers this summer
 - b. Economy starts recovering in Dec. 2020
 - c. Economy remains very poor through FY21 (Sept. 30, 2021)
3. Social distancing and reduced capacity continue through the end of FY21 (Sept. 30, 2021)
 - a. Economy recovers this summer
 - b. Economy starts recovering in Dec. 2020
 - c. Economy remains very poor through FY21 (Sept. 30, 2021)

4. Cyclical occurrence of closures and then social distancing and reduced capacity through end of FY21 (Sept. 30, 2021)
 - a. Economy recovers this summer
 - b. Economy starts recovering in Dec. 2020
 - c. Economy remains very poor through FY21 (Sept. 30, 2021)

The revised FY20 Year-end Estimate information provided on the next page is based on the pandemic related scenarios #3 or #4 and economic scenarios “b” or “c” plus following assumptions:

- Current coronavirus related closures remain in place through May 31, 2020.
- Current hiring freeze will remain in place throughout FY20.
 - Current authorized exceptions include
 - Full-time DOR/ARCC Inspector position
 - Part-time Pool Tech position
- Limited opening of facilities and amenities occur on June 1, 2020
 - Pools #1 and #3 open with reduced capacity and increased number of pool hosts to ensure social distancing, capacity and continuous disinfecting of furniture and other surfaces residents may contact. Pool #2 will remain closed to facilitate the planned pit replacement project and to limit the need to hire additional pool hosts.
 - The Lounge and 19th Hole will open as soon after June 1st as allowed with limited hours of operations, limited capacity and following menu options:
 - Lounge: No food per order. Pre-purchased snack options such as microwavable popcorn, bags of peanuts, chips, etc. will be available for purchase.
 - 19th Hole: Simple snack/small sandwich option such as hot dogs (toppings to vary per day) or prepared sliders. This selection will not require any cooks to be present throughout the day and servers will be paid “special pay” to come in early to prepare daily items.
 - Pasta Night, Special Events and music/entertainment events (i.e. Taco Tuesday, music bingo) will not re-start until limited capacity requirements are lifted (assumption is sometime in FY21)
 - Club/organization/resident use of assembly rooms will require a pool host monitor as long as reduced capacity requirements are in place.
- \$350,000 planned bank loan
 - Likely to require validation process
 - Requires multiple steps, including but not limited to:
 - Acquisition of Engineering report
 - Retainage of bond and legal counsel
 - Court process
 - Alternate option is to just use fund balance (going below the 20% minimum policy) with a 5-yr plan showing getting back above the 20% mark by the end of FY21 or FY22
 - Sounds easy
 - Will require difficult choices to defer future planned projects or raise additional revenue

Anticipated Pandemic Impact FY20 Year-end Estimated Revenues/Sources and Expenditures/Uses

	FY20 YE Est.	Primary Factors for Changes
Revenues/Sources		
Customer Service	(25,800)	Reduced guest pass sales
DOR	(10,000)	Reduced DOR Enforcement fees
Resident Relations	(35,800)	
Lounge	(208,705)	Shut down and beverage only sales last 4 months of FY20
19th Hole	(218,214)	Shut down and beverage only sales last 4 months of FY20
Pasta Night	(35,685)	Shut down and remain closed through end of FY20
Special Events	(96,447)	Shut down and remain closed through end of FY20
Food & Beverage	(559,050)	
Golf-Pro Shop	(39,206)	Reduced user fees and merchandise sales
Recreation	(10,031)	Reduced one-time social membership receipts
Property Services	(10,031)	
Total Revenues/Sources	(644,087)	
Expenditures/Uses		
Finance	25,863	Reduces personnel expense due to hiring freeze offset by higher professional fees, minor changes to accounts, and plug for severance payouts
Administration	25,863	
Customer Service	(13,716)	Reduces personnel expense due to rightsizing work force
DOR	(18,410)	Reduces personnel expense due to hiring freeze
Comm. Watch	(2,519)	Reduces personnel expense due to reduced off-duty deputy patrols offset by increased community watch patrols
Resident Relations	(34,645)	
Administration	(17,941)	Shut down and personnel expense (reduced operational hours for last 4 months)
Lounge	(137,406)	Shut down and personnel expense (reduced operational hours for last 4 months)
19th Hole	(214,352)	Shut down and beverage only sales last 4 months of FY20
Pasta Night	(36,547)	Shut down and remain closed through end of FY20
Special Events	(51,936)	Shut down and remain closed through end of FY20
Food & Beverage	(458,182)	
Golf-Pro Shop	(9,691)	Reduced cost of merchandise expense
Pools	(21,245)	Shut down offset by increased personnel costs for the last 4 months if FY20 to provide crowd monitors for reduced capacity at pools and buildings
Recreation	(53,951)	Shut down (including music costs for F&B) offset by increased personnel costs for the last 4 months of FY20 to provide crowd monitors for reduced capacity at pools and buildings
Property Services	(75,196)	
Total Expenditures/Uses	(551,851)	
Total Impact to Fund Balance	(92,236)	

Likely Impact on FY21 Budget

The reader should note the changes to FY20 Year-end Estimates are not easily scaled up to 12 months of FY21 due to the seasonality of sales in Food & Beverage and other departments' receipts. Once the BOT selects the most likely pandemic and economic scenarios staff will revise the FY21 WDPB line-items for review by the BOT on Tuesday, May 5th. Although staff will likely make minor adjustment to multiple accounts (as staff now have two additional months of data to use) the following revenues/sources will likely have the largest potential swings:

- Guest passes (Resident Relations)
- Beverage sales (Food & Beverage)
- Food sales (Food & Beverage)
- Golf memberships (Golf-Pro Shop)
- Fleet golf cart fees (Golf-Pro Shop)
- Private golf cart fees (Golf-Pro Shop)
- Green fees (Golf-Pro Shop)
- Merchandise sales (Golf-Pro Shop)
- Recreation fees (Property Services)
- Bond/Loan Proceeds (R&M/Capital) (any change to be determined by BOT)

Options to Balance the FY21 Proposed Budget

Although the ways to modify the FY21 Budget are too numerous to list in a concise way (i.e. ranging from doing nothing and hoping everything goes back to normal soon to dramatic increases in the assessment to canceling all non-essential projects), I believe the following items represent the most politically and operationally feasible to consider. The reader should remember the BOT does not have to select a single option, but a combination of different options is always possible.

Revenue Enhancements

- Continuation of planned revenue enhancements
 - Assessment
 - F&B prices
 - Golf Memberships
- Additional revenue enhancements
 - Assessment increase
 - Increase amount of planned FY21 bank loan
 - Currently planned for \$1,000,000 with a 7-year repayment schedule
 - Increase loan amount increases future debt service thereby decreasing available funding for R&M/Capital projects
 - Increase re-payment duration increases overall cost to BBRD and probably increases resident opposition (based on failed \$9 Million bond effort in FY18)

Expenditure/Uses Reductions

- Reduce expenditures
 - Continuation of non-critical hiring freeze
 - Further reduction in staff (mid-level management reduction would save most money but have most disparate impact upon services)
 - Reduce or elimination of FY21 Employee Incentive (i.e. pay increases)
 -
- Deferment or cancellation of projects

- 28 planned projects costing \$1,566,015
- One project: \$750,000 (Lounge/Lakeside Expansion, Phase 1)
- One project: \$350,000 (Golf Course irrigation system replacement, Phase 3)

Conclusion

I hope the information provided on these pages will aid the BOT in charting a course of action for the adoption of the FY21 Budget through these uncharted times in which we live. There is no manual on how to deal with a once a century pandemic, let alone one that has no parallel in history due to advances in technology, travel, and communications. Coupled with the inability to wait a few months to clearly see how BBRD revenues/sources will be impacted makes this task all the more challenging. Staff stands ready to dig deep and quickly in any direction the BOT may want to consider in the quest for data that provides the best possible budgetary plan for FY21.