

## Columbia Association **Letter from President/CEO**

10 June 2020

Dear Chairman Stack, Other Members of the Board of Directors, and the Columbia community:

The operating and capital budgets for FY 2021 for Columbia Association (CA) were approved by the Board of Directors (Board) on 27 February 2020, just a little over two weeks before Governor Hogan announced the mandated closure of schools and all non-essential businesses and activities, effective 16 March 2020. The state-mandated closure in many ways has impacted severely Columbia Association. Our highly valued School Age Services program, which operates in Columbia-area public schools, was cancelled. CA's three fitness clubs, Swim Center, tennis, golf, Haven on the Lake, Art Center, Teen Center, etc. were closed indefinitely. The resulting loss of approximately \$3 million per month in revenue required immediate and organization-wide steps to reduce expenses.

CA made the decision to stop billing members and other customers for services that we could not provide while closed. We also chose to pay team members (employees) 100% of their pay for the first pay period after the closure and 75% of their pay for the next pay period, although most team members were not working. We then initiated the extremely painful process of pay cuts, layoffs and furloughs that in some form have affected every single CA team member, starting at the top with a 50% reduction in pay for the senior leadership team. We instituted immediate expense reductions and cost saving measures, and began revising the FY 2021 budget, which, as stated earlier, originally was approved by the Board in late February 2020.

On 23 April 2020, the Board approved a reduced FY 2021 capital budget of \$8 million (down from \$15 million) and a revised operating budget. The highly unpredictable environment of the COVID-19 pandemic and the induced economic recession required further revisions to the operating budget, with the Board approving the most recent version of the operating budget on 4 June 2020. The FY 2021 budget will cover the period of 1 May 2020 to 30 April 2021.

While significantly reduced from the originally approved budgets and as compared to the previous fiscal year (FY 2020), the FY 2021 budgets we are moving forward with do reflect the financial realities of CA, given the uncertainties of the foreseeable future. Also, we believe these budgets are better starting points for discussions about CA's FY 2022.

The approved revised FY 2021 budgets – operating and capital – continue to be aligned with and support the five strategic priorities in CA's Strategic Plan. These strategic priorities and related goals are:

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**Identity** -- Goal: Significantly improve CA's visibility as a valued partner in enriching the quality of life and community cohesion/connections.

**Resource Stewardship** -- Goal: Create systems to align physical assets and financial resources to meet CA's strategic goals and mission.

**Environmental Sustainability** -- Goal: Advance Columbia as a leader in environmental sustainability in Maryland.

**Leadership Development** -- Goal: Increase participation among a demographically diverse community to serve in leadership roles on CA advisory committees, community groups and the CA Board.

**Advocacy** -- Goal: Advocate on issues that are key to Columbia's values and are key to our future as a unique, diverse, master planned community.

The approved revised FY 2021 budgets continue the \$0.68 annual charge rate and 3.5 percent cap, producing an increase in net assets of approximately \$36,000, down significantly from prior years and the original budget. The budget also includes a projected \$20 million long-term debt issuance.

The approved FY 2021 capital budget is presented in the three categories; a practice which has been used very effectively for several budget cycles. **Category I** capital projects are Board approved initiatives that include major community-wide sustainability projects. **Category II** capital projects, also specifically approved by the Board, include planning funds for several initiatives, large construction projects, and information technology improvements. **Category III** capital projects, an inclusive list of improvements and upgrades to facilities, are funded by the remaining dollars allocated for the capital budget.

Many "thanks" to everyone involved in the iterative budget development process for FY 2021 – unique in CA's history and unprecedented for our community.

Milton W. Matthews  
President/CEO

**Approved Revised FY 2021 Operating Budget**  
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	Three Years Actual			FY 20 Estimate vs. Revised FY 21 Budget				Original FY 21 Budget vs. Revised FY 21 Budget			
	FY 17 Actual	FY 18 Actual	FY 19 Actual	FY 20 Estimate	FY 21 Budget	Variance Amount	Variance %	Orig. 2/27/20 FY 21 Budget	Rev. 6/4/20 FY 21 Budget	Variance Amount	Variance %
<b>Income:</b>											
<b>Annual Charge</b>	37,122	38,849	40,867	42,056	40,020	(2,036)	-4.8%	43,776	40,020	(3,756)	-8.6%
<b>Tuition and Enrollment</b>	4,194	4,534	4,493	4,029	2,384	(1,645)	-40.8%	4,730	2,384	(2,346)	-49.6%
<b>Direct Memberships</b>	3,936	3,040	4,125	3,985	2,395	(1,590)	-39.9%	4,929	2,395	(2,534)	-51.4%
<b>Fees Income</b>	6,384	6,515	6,740	6,504	3,073	(3,431)	-52.8%	8,286	3,073	(5,213)	-62.9%
<b>Rental Income</b>	1,895	1,985	1,883	1,757	709	(1,048)	-59.6%	2,078	709	(1,369)	-65.9%
<b>Net Sales</b>	107	112	103	120	56	(64)	-53.3%	203	56	(147)	-72.4%
<b>Gain (Loss) on Fixed Asset Disposals</b>	(203)	(1,170)	(1,149)	(700)	(416)	284	-40.6%	(412)	(416)	(4)	1.0%
<b>Other Income</b>	680	913	782	416	426	10	2.4%	487	426	(61)	-12.5%
<b>Membership Allocations</b>	14,272	15,444	14,803	12,271	7,350	(4,921)	-40.1%	15,607	7,350	(8,257)	-52.9%
<b>Total Income</b>	68,388	70,223	72,648	70,438	55,997	(14,441)	-20.5%	79,684	55,997	(23,687)	-29.7%
<b>Expenses:</b>											
<b>Salary, Wages and Contract Labor</b>	24,472	24,769	26,027	26,027	18,060	(7,967)	-30.6%	28,945	18,060	(10,885)	-37.6%
<b>Annual Performance Incentives</b>	28	46	32	53	20	(33)	-62.3%	60	20	(40)	-66.7%
<b>Payroll Taxes</b>	1,924	1,946	2,081	2,183	1,535	(648)	-29.7%	2,370	1,535	(835)	-35.2%
<b>Employee Benefits</b>	3,363	3,330	3,542	3,760	2,729	(1,031)	-27.4%	4,399	2,729	(1,670)	-38.0%
<b>Operating Supplies/Expenses</b>	4,293	4,220	4,200	3,457	2,544	(913)	-26.4%	4,201	2,544	(1,657)	-39.4%
<b>Technology Supplies/Expenses</b>	785	820	838	1,269	1,872	603	47.5%	2,054	1,872	(182)	-8.9%
<b>Collection and Treasury Expenses</b>	905	1,300	936	830	557	(273)	-32.9%	887	557	(330)	-37.2%
<b>Fees</b>	3,328	4,716	5,223	4,696	3,847	(849)	-18.1%	5,321	3,847	(1,474)	-27.7%
<b>Comm. Assoc. Annual Charge Share Grant</b>	3,173	3,220	3,226	3,265	3,055	(210)	-6.4%	3,429	3,055	(374)	-10.9%
<b>Temporary Funding and Grants Expense</b>	338	630	720	927	0	(927)	-100.0%	443	0	(443)	-100.0%
<b>Rentals</b>	2,180	2,229	2,234	2,310	2,152	(158)	-6.8%	2,309	2,152	(157)	-6.8%
<b>Utilities</b>	2,176	2,192	2,042	1,875	1,599	(276)	-14.7%	1,969	1,599	(370)	-18.8%
<b>Insurance and Taxes</b>	991	1,078	1,206	1,330	1,574	244	18.3%	1,505	1,574	69	4.6%
<b>Repairs and Maintenance</b>	5,105	4,754	4,716	4,100	3,113	(987)	-24.1%	4,431	3,113	(1,318)	-29.7%
<b>Depreciation</b>	9,244	9,924	10,847	11,644	11,686	42	0.4%	13,380	11,686	(1,694)	-12.7%
<b>Interest Expense Allocation</b>	979	793	943	984	1,618	634	64.4%	978	1,618	640	65.4%
<b>Total Operating Expenses</b>	63,284	65,966	68,812	68,711	55,961	(12,750)	-18.6%	76,682	55,961	(20,720)	-27.0%
<b>Increase/(Decrease) in Net Assets</b>	5,104	4,257	3,836	1,727	36	(1,691)	-97.9%	3,002	36	(2,967)	-98.8%

Columbia Association Approved Capital Budget  
**Category I and II Projects by Program Purpose**

Category	Project name	Orig. 2/27/20 FY21	Proposed Amendments	Approved Revised 4/23/20 FY21	Code
<b>OPEN SPACE AMENITIES</b>					
II	Columbia-Wide Pathway Renovations	\$500,000	(\$50,000)	\$450,000	Q, L/S
II	Lake Elkhorn Pavilion and Fishing Piers Replacements	\$240,000	(\$240,000)	\$0	L/S
II	Columbia Gateway Park Improvements	\$50,000	(\$50,000)	\$0	Q
II	Wilde Lake Gazebo and Fishing Pier Replacements	\$200,000	(\$200,000)	\$0	L/S
II	Town Center Lakefront Renovations	\$100,000	(\$100,000)	\$0	Q
II	Columbia-Wide Tot Lot Renovations pending CA Board Approval of the Tot Lot Policy	\$456,000	(\$456,000)	\$0	L/S
II	Columbia-Wide Parking Lot Replacement	\$250,000	(\$100,000)	\$150,000	L/S
II	Columbia-Wide Boardwalk Replacement	\$180,000	(\$180,000)	\$0	L/S
II	Columbia-Wide Bridge Replacements	\$250,000	\$0	\$250,000	L/S
	<b>Total Open Space</b>	<b>\$2,226,000</b>	<b>(\$1,376,000)</b>	<b>\$850,000</b>	
<b>GOING GREEN</b>					
I	Columbia-Wide Building Energy Retrofits	\$150,000	(\$37,500)	\$112,500	Q
I	Going Green Projects	\$200,000	(\$50,000)	\$150,000	Q
II	Columbia-Wide HVAC Systems	\$200,000	(\$100,000)	\$100,000	Q
	<b>Total Going Green</b>	<b>\$550,000</b>	<b>(\$187,500)</b>	<b>\$362,500</b>	
<b>WATERSHED</b>					
I	Columbia-Wide Water Quality Improvements	\$75,000	(\$75,000)	\$0	Q
I	Watershed Improvement Projects	\$540,000	(\$440,000)	\$100,000	Q
II	Lake Elkhorn Dam Renovations	\$30,000	\$0	\$30,000	L/S
II	Wilde Lake Dam Improvements	\$30,000	\$0	\$30,000	L/S
II	Columbia-Wide Watershed Stabilization, pending CA Board Approval of Future Plans for Fairway Hills Golf Club	\$150,000	(\$150,000)	\$0	L/S
II	Columbia-Wide Ponds Dredging and Repairs	\$365,000	(\$265,000)	\$100,000	Q, L/S
	<b>Total Watershed</b>	<b>\$1,190,000</b>	<b>(\$930,000)</b>	<b>\$260,000</b>	

<b>VILLAGES</b>					
II	Locust Park Neighborhood Center Renovations	\$387,000	(\$387,000)	\$0	Q
II	KC - Amherst House Sprinkler Replacement	\$150,000	(\$150,000)	\$0	L/S
II	TC - Oakland Manor HVAC Renovation	\$600,000	(\$600,000)	\$0	Q
	<b>Total Villages</b>	<b>\$1,137,000</b>	<b>(\$1,137,000)</b>	<b>\$0</b>	
<b>SPORT &amp; FITNESS</b>					
II	Columbia Gym Renovation	\$200,000	(\$200,000)	\$0	Q
II	Hobbit's Glen Clay Court Replacement Phase II	\$370,000		\$370,000	Q
II	MacGill's Common Pool Water Playground and Neighborhood Center Conversion	\$425,000	(\$425,000)	\$0	Q
II	Supreme Sports Club Renovation Phase III	\$2,000,000	(\$2,000,000)	\$0	Q
II	Sport & Fitness Equipment and Facility Upgrades	\$500,000	(\$50,000)	\$450,000	\$/Q
	<b>Total Sport &amp; Fitness</b>	<b>\$3,495,000</b>	<b>(\$2,675,000)</b>	<b>\$820,000</b>	
<b>OTHER CA FACILITIES/EQUIPMENT</b>					
II	IT Improvements - Phases I and II	\$100,000	\$0	\$100,000	L/S
II	Maintenance Facility Asphalt Lot Replacement	\$100,000	(\$100,000)	\$0	L/S
II	Equipment and Vehicles	\$500,000	\$0	\$500,000	L/S
	<b>Total Other CA</b>	<b>\$700,000</b>	<b>(\$100,000)</b>	<b>\$600,000</b>	
	<b>TOTAL CAT I AND CAT II</b>	<b>\$9,298,000</b>	<b>(\$6,405,500)</b>	<b>\$2,892,500</b>	
III	Category III	\$5,702,000	(\$594,500)	\$5,107,500	
	<b>GRAND TOTALS</b>	<b>\$15,000,000</b>	<b>(\$7,000,000)</b>	<b>\$8,000,000</b>	

**Key to Codes:**

**L/S:** Legal or safety reasons

**\$/Q:** Produces additional revenue and upgrades quality of service

**Q:** Quality of Service upgrade but no additional revenue expected