



October 2, 2020

TO: Columbia Association Board of Directors
Milton W. Matthews, President/CEO

FROM: Susan Krabbe, Vice President and CFO

CC: Lynn Schwartz, Director of Finance/Treasurer
Members of the Senior Leadership Team

SUBJECT: Status Report on the Fiscal Year 2021 Operating Budget and Requested Information Regarding a Structure for the Statement of Financial Position and an Operations Plan

Status Update on the FY 2021 Budget:

I am planning to share operating results through September 2020 at the October 8 work session. The team is currently closing the month of September and should have actual results by the evening of the work session. The actual results through July 31, 2020 as compared to the FY 2021 budget and the same period last year, as well as our updated estimated results for the full fiscal year (FY 2021) are posted on the CA website at: <https://www.columbiaassociation.org/wp-content/uploads/2020/09/FY21-First-Quarter-for-posting.pdf>

"Balance Sheet" Structure:

One of the requests at the August 31, 2020 Board Operations Committee meeting was for a "balance sheet" or a statement of financial position structure for CA. Some of the considerations raised at the meeting were:

- Should we start repaying the cash to the general liability self-insurance trust, and if so, when?
- What about repaying the employer portion of payroll taxes deferred earlier this calendar year?
- How much should CA borrow under the line of credit, because what happens if FY 2022 is worse than FY 2021?
- Where do we want CA to be structurally to survive?

As you know, the CA Board approved a cash reserve parameter or benchmark for the FY 2022 budget that addresses some of these considerations in FY 2022, if not this fiscal year. Staff planning and cash flow projections incorporate the following, some of which is related to the cash reserve guidance:

- Repayment of \$1 million to the general liability self-insurance trust in FY 2022, planned for May 2021.

- Compliance with the regulatory requirements for repayment of the deferred payroll taxes, which mandate repayment over 24 months beginning January 1, 2021; thus, four repayments will be made in FY 2021.
- Current cash flow projections with actual activity through August 2020 indicate no line of credit borrowing in FY 2021.

Attached is the Summary of Cash Flows, Sources and Uses of Cash as of July 31, 2020, projected for FY 2021 based on the first quarter actual results. This exhibit will be updated with the second quarter financial results and a revised projection for FY 2021 will be issued in December. FY 2022 cash flow projections are being developed, now that the CA Board approved the FY 2022 budget parameters.

Operations Plan

While all of us would love to see pre-COVID participation in our programs and services, it is clearly not the reality and frequently not possible due to our own financial limitations and capacity restrictions imposed by regulatory bodies. Therefore, the goal toward which the CA team is currently working is to serve the greatest possible number of Columbia community members through the services, programs and facilities that can be offered within the financial constraints of the FY 2021 budget. This goal presumes the full employment of as many CA team members as are needed, as constrained by program needs (what work actually must be done given program participation levels) and our financial limitations.

The attached document provides an updated contingency plan for CA programs and facilities.

Columbia Association, Inc.

For the Period Ended July 31, 2020
 Summary of Cash Flows
 Sources and Uses of Cash
 (\$000's)

	Current Year Estimate vs Budget		
	FY 21 Budget	FY 21 Estimate	Variance Amount
Total Income	\$ 55,997	\$ 55,594	\$ (403)
Total Expenses	(55,961)	(54,730)	1,231
Net Income	<u>36</u>	<u>864</u>	<u>828</u>
Add Back: Depreciation (1)	11,686	12,432	746
Net Adjustments (2)	<u>(2,061)</u>	<u>(2,061)</u>	<u>-</u>
Cash Generated from Operations/Investment Activities	9,661	11,234	1,573
Cash Required:			
Net Sales (Purchases) of Investments			
Held by Trustees	\$ (3,000)	\$ (1,000)	\$ 2,000
General Cash Reserves	-	(3,000)	(3,000)
Long Term Debt	(4,005)	(4,005)	-
Capital Projects (3)	(10,000)	(9,400)	600
New Financing Proceeds - Net	<u>10,085</u>	<u>10,118</u>	<u>33</u>
Subtotal - Cash Required	<u>(6,920)</u>	<u>(7,287)</u>	<u>(367)</u>
Cash (Borrowings)	<u>\$ 2,741</u>	<u>\$ 3,947</u>	<u>\$ 1,206</u>

Notes:

1. Depreciation is added back, because it is a non-cash expense.
2. Net Adjustments represent the year-to-year changes in current assets and current liabilities, eg., accounts receivable, prepaid expenses, deferred revenue, etc.
3. Budgeted capital projects are the capital projects scheduled to be funded during the year, including projects carried forward from previous years.

COLUMBIA ASSOCIATION, INC.

Contingency Plan - Summarized and Updated March 2020; Updated September 30, 2020

Organization-Wide

Columbia Association's response to extraordinary events depends on the nature and extent of the event.

Plan for Pandemic or the Impairment or Destruction of Properties within the Columbia Association ("CA") Assessable Base

Given CA's location within AAA-rated Howard County, which never entered into a recession during the Great Recession, and that many residents are employed by the federal government or its contractors, CA anticipates the impact of a pandemic or other impairment of properties to be less here than in many areas of the country in terms of long-term unemployment and reductions in property values, especially residential. The factors that have made Howard County and Columbia desirable places to live, work and own businesses since 1965 will largely remain intact through a pandemic. Those factors are location, very low crime, very high quality public schools, low unemployment at all times, household and per capita income levels, a highly educated workforce and an excellent quality of life.

CA is not responsible for any essential services in Howard County, such as schools, public safety, fire, water and sewer, etc.

CA did not experience a reduction in the annual charge revenue from recent crises such as 9-11 and the Great Recession. Assessed valuations declined for individual properties but overall annual charge revenue did not.

However, the COVID-19 pandemic is unprecedented and will impact CA for a longer term than we anticipated at its beginning in March 2020. Since then, CA completed the July 2020 annual charge billing and found that through September 2020, there was no significant negative impact on the billing and collection for two primary reasons:

- Most of the residential annual charge billing is escrowed with property owners' mortgage payments.
- Howard County needs the real property tax proceeds to help fund the loans, grants and unemployment support to respond to the impact of the pandemic on our community. The source data for CA's annual charge is the Howard County real property data and valuations. Howard County did not make any changes to the timing or amount of its real property tax billing.

CA anticipates, and budgeted for, a significant increase in abatements primarily for commercial properties in FY 2021. The abatement process is a rolling process throughout the year, so the full impact on FY 2021 will not be known until much closer to April 30, 2021.

Ongoing impairment of a significant number of properties within the CA assessable base would negatively impact the billing and collection of the CA annual charge. Based on the July 2020 assessable base of \$12.838 billion, every one percent change in the assessable base is a change to annual charge revenue of approximately \$436,000. That could potentially be offset by the \$5 billion Downtown Columbia development that is underway. Even if that development is slowed by the current pandemic, as is likely, the favorable growth in the annual charge will still be significant.

To address the impact of a pandemic, or the impairment or destruction of properties within the CA assessable base areas, CA will implement some or all of the following, depending on the organization's needs:

- Reduce operations of or close under-performing and non-revenue generating facilities.
- Reduce the CA workforce and manage all expenses to eliminate all unnecessary expenditures during time of impairment.
- Expand expense reductions to include suspension of all capital and non-life/safety work.
- Request CA Board approval for an increase in the annual charge rate. Each one-cent increase in the rate on the 2021 assessable base of \$12.838 billion is \$642,000.

In addition, we secured additional financing in June 2020 comprised of a \$20 million term loan, most of which was used to pay off the existing line of credit, and a new \$20 million line of credit. Current cash flow projections indicate that the new line of credit will not be needed until early FY 2021, to serve as bridge financing until the proceeds from the July 2021 annual charge billing are collected.

Plan in Response to Impairment or Destruction of CA-Owned Facilities

Extreme Weather Events Lasting More than One Day

The summarized response to extreme weather events lasting more than one day is to clear physical access to Columbia Association (CA) assets, inspect them and determine when they can be reopened if the weather event has closed them. Only one weather event of the past 20 years closed all of CA's revenue-generating activities at one time for more than one day. In most events, all of the revenue-generating activities were re-opened within 48 hours, with the exception of the before and after school program, which operates mainly in Howard County public school buildings so that most of this programming does not restart until the schools reopen.

The financial impact, including the impact on revenues, of extreme weather events lasting more than one day has been negligible for over 20 years. In these circumstances, CA manages expenses to eliminate unnecessary expenses, and the part-time work force does not work when their building is closed. Also, CA carries property insurance with business interruption coverage for all of its buildings. This coverage has applied in some weather events.

Fire or Other Events Resulting in Long-Term Closure of a Facility

Please refer to the Sports and Fitness Section for the contingency plans for the various facilities in an event such as a fire.

Terrorism or Act of War

Please refer to the Sports and Fitness Section for the contingency plans for the various facilities in an event such as a terrorist act or act of war that resulted in the destruction of one or more CA facilities.

Sports and Fitness Department

Single Facility Closure

Columbia Gym, Athletic Club, Supreme Sports Club and Haven on the Lake

Member Usage - For an individual fitness club closure members are provided full access to the two open facilities plus limited access to Haven on the Lake.

Membership Fees - Billing of membership fees will continue with option for a temporary membership freeze.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part-time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Hobbit's Glen or Fairway Hills Golf Club

Member Usage - Hobbit's Glen members have access to Fairway Hills Golf Club as part of their membership. In the event of a closure at Fairway Hills Golf Club, CA non-golf members will be provided non priority access to Hobbit's Glen.

Membership Fees - Billing of Hobbit's Glen membership fees will continue with option for a temporary membership freeze depending on length of closure. Fairway Hills does not have a membership option.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Tennis - Indoor: Long Reach Tennis Club and Athletic Club

Member Usage - Tennis members have access to both facilities and will be encouraged to utilize the other facility. If shutdown occurs during the summer season, members will be directed to outdoor courts as well.

Membership Fees - Billing of Play membership fees will continue with the option for a temporary membership freeze depending on length of closure.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, staff will attempt to move programming to another location. If that is not possible, members will be provided credits for programming that can be used upon reopening. If closure occurs during the summer season, programming may be moved to outdoor courts if available. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Tennis - Outdoor: Owen Brown Tennis Club, Wilde Lake Tennis Club and Hobbit's Glen Tennis Club

Member Usage - Tennis members have access to all outdoor facilities and will be encouraged to utilize the other, including indoor, facilities.

Membership Fees - Billing of Tennis membership fees will continue with the option for a temporary membership freeze depending on length of closure.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, staff will attempt to move programming to another location. If that is not possible, members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Ice Rink

Member Usage - Members will be unable to utilize a commensurate facility.

Membership Fees - Members would be presented with an option for a temporary membership freeze depending on length of closure if closure is unplanned.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, staff will attempt to reschedule programming for an alternate time. Members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure, including melting the ice depending upon the length of the closure.

Pools - Swim Center

Member Usage - Members will be provided access to other available indoor pools.

Membership Fees - Billing will continue with the option for a temporary membership freeze.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, staff will attempt to reschedule programming for an alternate time. Members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Pools - Outdoor

Member Usage - Members have access to all outdoor pools.

Membership Fees - Billing will continue with the option for a temporary membership freeze.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, staff will attempt to reschedule programming for an alternate time. Members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Sports Park and Skate Park

Member Usage - Members will be unable to utilize a commensurate facility.

Membership Fees - A specific membership is not sold for these facilities so membership billing would continue.

Staff -

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, staff will attempt to reschedule programming for an alternate time. Members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Multi Facility Closure - Two facilities up to and including complete shutdown of all Facilities

Member Usage - Senior staff will conduct assessment of which, if any, facilities will be available to members.

Membership Fees - Membership fees will be reduced or eliminated in the event of significant reduction or elimination of services available.

Staff - Senior staff will conduct assessment of staffing needs based on extent of closure.

In the event of partial closure of Columbia Association facilities:

- Salaried staff will continue to work either at the facility or elsewhere in the organization depending on reason for closure.
- Part time staff will be able to work in other facilities if openings exist. If no openings exist, staff would be able to use leave if available or not work for that time period.

In the event of full closure of Columbia Association facilities:

- Senior staff will evaluate potential length and severity of closure to ascertain impact on revenues and implications for staff
- Senior staff will implement as necessary
 - Compensation reductions
 - Benefit reductions
 - Workforce reductions including furloughs and layoffs

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, members will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure. Expense reductions will expand to include all capital and non-life/safety work should the extent of the closure prove significant and detrimental to the financial stability of the organization.

Community Services Department

School Age Services (SAS) closure- Multi Site Closure or full shut down of school sites

When the Howard County public schools close, CA's School Age Services program does not operate in the schools.

Participant Usage - other CA facilities such as Teen Center and Art Center may be used to operate full-day programs. If CA shuts down all facilities, no full-day program will operate.

Participant Fees - fees will be charged for full-day programs.

Depending on how long the schools are closed, fees may be reduced or eliminated.

Staff: some full-time and part-time staff will work the full-day program based on number of participants registered and staffing ratios. Other full-time and part-time staff may work at other CA facilities. If full-time and part-time staff cannot work, may use accrued leave or not work during this time period.

In the event of an extended closure of the schools (more than 2 weeks) and CA full facility closure

Participant Usage - If it is determined that the Art Center and Teen Center are closed, the full-day program does not operate.

Participant Fees- participant fees may be reduced or eliminated, credited for the following month, or credited to next school year or refunded depending on how long the closure lasts.

Staff:

- Senior staff will evaluate potential length and severity of closure to ascertain impact on revenues and implications for staff
- Senior staff will implement as necessary
 - Compensation reductions
 - Benefit reductions
 - Workforce reductions including furloughs and layoffs

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, participants will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the member's needs, program fees will be refunded.

Expenses - All expenses for a closed program will be managed to eliminate all unnecessary expenditures during time of closure.

Camps

Shutdown of one or more camps:

Program Participants: participants in the closed camps will have the option to be moved and registered in another Camp program.

Program Fees: If camp is closed, participants will have an option to move to another Camp, or be provided a credit for future week of camp, or be offered a refund.

Staff:

After evaluating the staffing needs to maintain appropriate ratios, Camp seasonal staff may be moved to another camp, or may have hours reduced. If no openings exist, staff would be able to use leave if available or not work for that time period.

Expenses - All expenses for a closed camp will be managed to eliminate all unnecessary expenditures during time of closure.

In the event of full closure of Columbia Association facilities and camps:

- Senior staff will evaluate potential length and severity of closure to ascertain impact on revenues and implications for staff
- Senior staff will implement as necessary
 - Compensation reductions
 - Benefit reductions
 - Workforce reductions including furloughs and layoffs

Program Revenue - In the event of planned closure, programming will be halted for the duration of planned closure. If closure is not planned, participants will be provided credits for programming that can be used upon reopening. If the rescheduled programming does not meet the participant's needs, program fees will be refunded.

Expenses - All expenses for a closed facility will be managed to eliminate all unnecessary expenditures during time of closure.

Information Technology - Summary of Contingency and Redundancy Plans

Business continuity is an integral part of CA's IT strategic plan. The continued management and monitoring of CA's technology ecosystem is based on the information security model of confidentiality, integrity, and availability.

CA's technology ecosystem is a hybrid cloud model with identity access management performed internally and federated to enable the use of several SaaS solutions for critical organizational information management (membership management, enterprise resource planning, and human capital management). All solution providers have their business continuity plans reviewed and addressed as part of CA's IT vendor management processes.

CA's remote access capabilities are integrated with internal identity access management tools to ensure consistency between onsite and remote security. Assets that have been identified as critical and sensitive require virtual private network (VPN) access in addition to CA's standard identity access management. Collaboration tools are available through direct internet access

(DIA) and managed through internal identity access management. All VPN devices utilize CA's standard endpoint protection software and they are monitored and patched the same as local devices.

CA's physical network security is based on defense in depth. Firewall rules and network segmentation limit access to specific organizational units. Network activity, including traffic shaping, are remotely monitored and managed by CA IT staff. Additional capacity to service an increase in remote access usage is accomplished with existing hardware in CA's datacenter.