

FINANCE COMMITTEE MEETING

CV Starr Community Center

300 S. Lincoln Street

Fort Bragg, CA 95437

Tuesday, March 22nd, 2011

9:00 a.m.

Meeting Minutes

1.0 David called the finance meeting to order at 9:00 am. Committee member present was David Yeomans and Harold Sipila. Also present were committee members: Jim Hurst, Michelle Gordon, and Beth Pine. Melissa Ivankay, Mary Weaver and Susan Larkin were also present.

2.0 M/s/c Yeomans/Sipila to approve agenda as presented.

3.0 Public Comment: None

4.0 Correspondence: None

5.0 Information/Discussion:

5.1 Cash flow report: Michelle gave a brief synopsis of the cash flow, and noted that while we are seeing an increase in revenue this month versus last year, we are still behind in meeting the projected revenue according to the daily deposit activity. Jim said that the State Controller withheld the prop 40 project for two weeks, due to a timing issue, and so the reimbursement will come in later than anticipated. Jim contacted Westamerica Bank and let them know that we would be unable to make the May payment on time, but Jim thinks that we should make that payment as soon as possible, so as not to go into default, as the City will begin negotiations with the bank for the property. Jim thinks it would be in the District's best interest to identify legal counsel to assist with the bank negotiations. Jim noted that the bank would not be willing to forgo any debt that is not covered by any sell negotiated with the City, and the District would still be held responsible for any debt on the loan. Jim said that the conversations he has had with the City indicated that the City is interested in the District's continued development and use of the property. Jim said he submitted an invoice to the Harbor District for our expenses associated with the dredge spoil work. He has received no reply. Jim will check with the City to see when the redevelopment funds will be received.

5.2 SCORE II Fund Raising Effort: Nothing new to report. Nothing significant is coming in. The credit cards were run for the month of March on the 15th. They are supposed to be run on the 1st and the 15th.

5.3 Revenue Enhancement and Expense Reduction: There was some discussion regarding the continued effort to develop a thrift store and where it would be located. Susan said a business plan needs to be developed, seed money needs to be identified and the model needs to be in place prior to moving forward.

Jim said he is still working on energy audit and water usage and there have been substantial reductions in the amount of water we are using.

5.4 Consolidation with the Mendocino Sports Club: Jim presented a one page memo to the committee, that outlined the proposal, made assumptions regarding growth and revenue, as well as costs, and the financial impact to the District through 2014. Jim said the memberships for a single person at the Sports club is 20% less, the couples are about the same, and the families are about 13% less. He does not know how the current membership breaks out by type of membership. He has requested the information from Hinson. Jim anticipates we will need additional staff of one-half time person in accounting at about \$1,000 per month, a desk person half time at \$800 per month and at least two drop-in instructors, at \$1,600 per month. These figures don't include the increased utility costs and other indirect costs. The financial impact from May to December of this year is a negative \$60,000, due to the payment for the equipment. For the entire fiscal year, the projected negative impact is \$28,000. Jim said that the goal was to increase revenue by about \$10,000 per month this fiscal year, but the current proposal does not accomplish that goal.

Larry Hinson arrived at 10:00 am.

David recommended the negotiations regarding the proposal could continue between Hinson and Jim. Hinson has been conversing with his partner regarding the first year losses. They are considering that the payment for the cost-sharing, not the equipment payment, be deferred to January 1, 2012, with no change in the amount to be paid. Hinson also produced some documents that show the sell price of used equipment that is similar or the same to his equipment, and he said the minimal cost of the same equipment would be \$150,000. He also provided the income/loss financial statements for the club. David asked about amortization of the equipment over a longer period time.

David said that at this point the District needs to enter into an agreement that shows a positive cash flow this year, or at the very least a revenue neutral deal.

Jim said that there is the possibility of securing a loan on the equipment from another entity, or the loan could be from Hinson himself, with payment of interest on the note. Hinson said his goal is to build the physical therapy program to its highest capacity. Hinson would like the Board to make the commitment to hear suggestions from him and his partner if the District begins to fail.

Hinson and Jim will revisit the proposal and will crunch the numbers to present a proposal that will be at least revenue neutral to the District this year.

David said that the idea of the placement of equipment in the conference room has an emotional response, and that he would like there to be a lot of thought into the placement of equipment.

6.0 Next meeting will be held on April 5th, 2011 at 9:00 am.

Meeting adjourned at 10:55 am.

Respectfully submitted,
Beth Pine
Acting Secretary to the Board