

## MINUTES

MCCVB Finance Committee

Friday October 20, 2023 | 9:30AM – 11:00AM

Zoom Meeting

### **MEMBERS PRESENT**

Stefan Lorch

Kirk Gafill

Sean Panchal

Carol Chorbajian

### **GUESTS PRESENT**

Jarrold Penner

### **STAFF PRESENT**

Paul Martin

Rob O'Keefe

Joan Lucido

**CALL TO ORDER** Stefan Lorch called the meeting to order at 9:32AM.

**PUBLIC COMMENT:** None

**ANNOUNCEMENTS:** None

### **CONSENT AGENDA**

There was a motion to approve the Minutes of the April 21, 2023 Finance Committee Meeting. M/S/ Kirk Gafill/Sean Panchal. The motion passed unanimously.

### **REGULAR AGENDA**

New Business

#### **A. 2022-23 Audited Financial Statements Review**

Paul Martin covered the changes from the draft results published in July to the audited results highlighting the largest impact from the year end TID accrual which decreased net retained by \$38K due to lower occupancy at year-end compared to the prior year when revenge travel was still surging. Jarrod Penner of BKP presented the audit findings stating that a clean opinion was being granted. He covered the change in accounting with the adoption of ASC 842 which dictated the recognition of right of use assets and liabilities for long-term leases. While this had no impact on net retained it did affect the balance sheet with the establishment of those assets and liabilities. Jarrod also commented on the audit steps taken for Government Auditing Standards given our receipt of ARPA funds from the county but identified no deficiencies there. Jarrod went over the communications letter stating nothing was out of the ordinary. There was a motion to recommend the Board approve the 2022-2023 Audited Financial Statements. M/S/ Carol Chorbajian/Kirk Gafill. The motion passed unanimously.

#### **B. 2022 IRS Form 990 Review**

Jarrold reviewed the 990 touching on schedule J that lists employees with compensation greater than \$150,000, schedule O which contains qualitative supplemental information on how See Monterey operates, and the 990T that includes unrelated business income that could be subject to tax but noting our expenses in this area exceeded income. Kirk Gafill asked if the compensation information just included W2 income and Jarrod explained it also included other benefits. Jarrod also explained where primary activity and mission descriptions could be found on the 990 as well as the list of Board of Directors. A motion was made to recommend the Board approve the 2022 IRS Form 990. M/S/ Carol Chorbajian/Sean Panchal. The motion passed unanimously.

**C. First Quarter (2023-24) Financial Review**

Paul reviewed the first quarter results. He indicated that while revenue was unfavorable by \$84K due to lower occupancy in June through July in all jurisdictions, that expenses were favorable by \$1.8M. He explained that expenses had been temporarily reduced to meet cash flow needs given delays in contracts for jurisdiction investment from the County of Monterey and the City of Monterey and the phasing in of higher TID receipts under the new Monterey County Tourism Improvement District with its higher rates. Rob O'Keefe discussed upcoming finance issues including the search for a replacement for the VP of Finance who is retiring early in 2024. Rob discussed the desire for the replacement to have consultant capabilities. Kirk Gafill asked if the City of Monterey values the consulting they have received from the current VP of Finance and Rob replied positively. Rob also covered the upcoming office move that looks like it would result in a location in Heritage Harbor. Finally, Paul reviewed the actual cash balances by month for the year and indicated that it had dropped as low as \$400K due to the contract delays and TID phase in. A motion was made to recommend Board approve the First Quarter (2023-24) Financials. M/S/ Carol Chorbajian/Sean Panchal. The motion passed unanimously with three voting members of the committee still in the meeting after Kirk Gafill's departure at 10:32.

**D. Reserve Policy and Banking Relationship**

Paul reviewed the work to date that had been done to establish a new banking relationship due to deteriorating terms and services from the existing banks. Paul indicated we were moving forward with Pacific Valley Bank with a new line of credit (under more favorable terms) and a checking account that would likely be in place in January. Paul went into further details on the cash flow situation that had required delaying certain expenditures and that staff was recommending a new reserve policy that would include \$1.1M in working capital float, \$400K reserved for a rainy-day fund, and the \$400K line of credit. Staff will bring this forward with a recommended change to the finance policies to the Finance Committee and Board in the spring.

**GOOD OF THE ORDER**

None

**ADJOURN**

Stefan Lorch adjourned the meeting at 10:57AM