



HUNTINGTON BEACH DOWNTOWN BUSINESS IMPROVEMENT DISTRICT

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FINANCE / GOVERNANCE COMMITTEE

SPECIAL MEETING MINUTES

Date: Thursday, December 1, 2016 Day: Thursday
Location: Duke's Huntington Beach Time: 9:00 AM
317 Pacific Coast Highway

- I. Meeting called to order at 9:06. **Roll call:** In attendance: Brett Barnes, Nicole Thompson, Steve Grabowski, Susan Welfringer. Excused absent: Steve Daniel and Stephanie Wilson.

- II. **Public Comments:** None

- III. **Review of Reserved Funds**
"The term 'operating reserves' refers to the portion of 'unrestricted net assets' that nonprofit boards maintain and/or formally designate or 'reserve' for use in emergencies to sustain financial operations in the unanticipated event of significant unbudgeted increases in operating expenses and/or losses in operating revenues."

- IV. **Determine amount to designate for reserves vs. spending**
 - A. It was determined that the average balance in the Surf City Nights checking account is \$225,000. In addition, there is \$50,000 in a Certificate of Deposit. **In total, there is approximately \$275,000 of funds not budgeted for.**
 - B. Brett shared information from a report titled "Operating Reserve Policy Toolkit for Nonprofit Organizations." Basically there is no "norm" but a minimum suggestion is 3 months, or 25% of the operating budget. After further discussion, the committee agreed that since SCN is such a significant contributor to the overall BID budget, that the recommendation would be to keep one (1) full year of SCN funds in reserves. This would help the BID continue operation should there be an unexpected shortfall of revenue as a result of any disruption to the Surf City Nights event.
 - C. **Recommendation is to keep \$120,000 in a Money Market account as the OPERATING RESERVE, to be re-evaluated at budget time so that it increases (or decreases) incrementally with the SCN budget line of funding to the BID.** The intent of sustaining operating reserves is to assure the mission of the organization continues to advance.

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- V. **Regarding the CD Maturing 12/15/16 and options on renewal.** It was agreed to not renew the CD but rather, roll this funding into the SCN account identified as POTENTIAL PROJECT FUNDING.

In review: \$275,000 total in surplus funds. \$120,000 placed in a Money Market for OPERATING RESERVE and \$155,000 earmarked for POTENTIAL PROJECT FUNDING.

VI. **Establish recommendations for spending priorities**

A. Regarding the \$155,000 earmarked for projects, priorities include:

1. Beautification / Revitalization –
2. Lighting
3. Landscaping
4. ZPark Plan
5. Other?
6. Wayfinding signs
7. Unanticipated Opportunities

- Note: Not all expenses are assumed to be paid for entirely by the BID, but rather in partnership with the City and Visit HB as the opportunity arises.
- Also: The Governance / Finance Committee recommends researching for a consultant to help facilitate the board's development of a vision for what the beautification / revitalization might look like, based on the success of these types of plans enacted in other cities. Main Street America is an example of where valuable resources can be found.
- The Committee also recommends that at each "Year End" any surplus funds from Surf City Nights or the BID account be applied to the POTENTIAL PROJECTS FUNDING budget.
- The Committee will present a Written Operating Reserve Policy
 - Statement of Purpose – the reason for establish the operating reserve
 - Policy – the objective(s) to be achieved
 - Definitions – Descriptions of the meaning of key terms used in the policy
 - Funding – beginning balance of operating reserve, if any, ultimate target amount for the fund and timeline for achieving it, including an annual increase in targets and strategies/sources for funding
 - Procedures – Details of how the policy is to be implemented, including the formula for calculating the operating reserve ratio, the amount of the operating reserve balance, whether or not the operating reserve should be formally board-designated, if it is to be a funded operating reserve and its relationship to the approved investment policy
 - Uses – Circumstances in which the operating reserves can be used

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- Governance – Procedures for approving the use of operating reserves, persons authorized to establish policies and oversee the operating reserve ratio and balance; provisions for recalculating the formula of the operating reserve balance and distributing the excess operating reserve balance, or funding operating reserve deficiencies.
- Authorization of Drawdown from the Operating Reserve Fund – Define terms and conditions for drawdown from the fund for operating purposes in the case of a financial emergency, including procedures for eventual replenishment

VII. Designee of new signers for 2016-2017 on accounts

- A. The Committee recommends the following board members be signatures on the bank account: Susan Welfringer, Nicole Thompson, Brett Barnes, Steve Daniel, and Matt Peterson.

VIII. Review of BID & SCN Budgets.

- A. The Committee reviewed the current BID and SCN budgets and have no recommendations for income or expense changes at this time.

IX. Determine course of action for new by-laws

- A. The City submitted a new change to the by-laws which would make a board member who has completed two (2) consecutive two-year terms ineligible to be elected or appointed to the board for a minimum of (2) years. The current allowance is one year off the board in a voting capacity. The committee feels this could negatively affect the continuity of forward motion for the board and is not in agreement with this new change to the bylaws. Understanding that is highly unlikely to receive a 51% response for this effort, and the fact that these bylaws do not address the original intent of the board for revision, the committee recommends not incurring the cost and time required to mail new bylaws and rather, focuses on the issues and concerns being presented by our businesses today.

Meeting Adjourned at 10:15am.