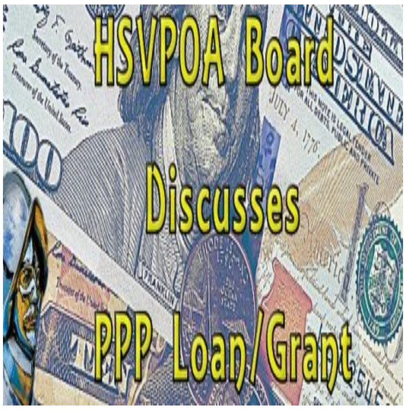

HSVPOA Board Discusses PPP Loan/Grant

Description

By Cheryl Dowden, May 13, 2020

HSVPOA May 11, 2020 Special Board Meeting, Part 3

Editor's note: May 11, 2020, Special Board Meeting is presented in a three-part series. This is the third part of the meeting which addresses the Payroll Protection Program Loan/Grant.

The following transcription was transcribed to the best of my ability and all efforts were made to achieve accuracy and the material is deemed to be close. Headings and material in brackets are not quotations.

Click here to read part 1 of the HSVPOA May 11, 2020, Special Board Meeting.

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Click here to read part 2 of the HSVPOA May 11, 2020, Special Board Meeting.

Transcription of PPP Portion of 5-11-20 Meeting

Podawiltz: Thank you. Now I would like to go to Agenda Item number 3.

Podawiltz: I would now like for our CEO, Lesley Nalley and Chief Financial Officer…Liz…We need an extra chair.

Podawiltz: I would think that there would be adequate room for her to go right there.

Nalley: Do you want to just come right here, Liz?

[talking]

Podawiltz: Liz is giving us each a handout for those of you that can't see that on the Zoom, on the cameras.

Nalley: Okay, Liz is handing out what is already in your drop box. It was in your drop box on Friday, so this should look very familiar.

Nalley: As the Board knows, on April the 20th by an email vote, you approved the loan documentation being signed for an application we previously made to the Paycheck Protection Program. And you received by email your confidential document that had the entire application. It had the note to be signed and it had the resolutions to borrow and pledge. So you've seen all three of those documents. Those aren't here. What we want to do today is to bring the conversation forward from our application to our note signature to an upcoming deadline, which is a deadline to turn back any funds, any or all of the funds, should someone have deemed that, you know, they didn't want those funds.

Nalley: I want to remind you from the application that there were several questions that had to be answered and of course these were all filed electronically- several questions and certifications that had to be answered. And so let me just walk through those certifications, when we made the application.

Nalley: There were 6 of them. Basically,

the applicant was in operation on February 15th

and had employees for whom it paid salaries and payroll taxes.

Current economic uncertaintity makes this loan request necessary to support the ongoing operations of the applicant.

The funds will be used to retain worker and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under this program.

Nalley: At the certify, understand that the funds are knowingly used for unauthorized purposes, the federal government may hold you legally liable such as for charges of fraud. You will recall on the application, both Liz and I had to provide our social security numbers and make those certifications on behalf of the entity. So it is very important to us that we make all of our certifications accurately and honestly.

Nalley: Moving on, the applicant will provide the lender documentation verifying the number of full-time equivalent employees on the applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, rent payments and utilities for the 8-week period following this loan.

Nalley: So we have some…that's our due diligence, afterwards.

Nalley: Understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, rent payments and utilities and not more than 25 percent of the forgiven amount may be for nonpayroll costs.

Nalley: You'll remember on the application, just pausing there for a moment, and as noted in some of the documentation that Liz gave you here, we had to define our average monthly payroll costs. That was $1,235,835. So, 1.2 million is our average monthly payroll costs. At that time, we had 445 employees. So those are our baselines of what they're looking for.

Nalley: Moving on, during the period beginning on February 15, 2020 and ending on December 31, 2020, the applicant has not and will not receive another loan under the Paycheck Protection Program. No double dipping.

Nalley: We had to certify that the information provided in this application and all supporting documentation is true and accurate in all material respects. Knowingly making a false statement to obtain a guaranteed loan is punishable under law, including 18 U.S.C. 1001 and 3571 by imprisonment.of not more than 5 years and a fine of $250,000.

Nalley: In other words, they can't imprison a company. They can imprison individuals. That's the reason why Liz and I had to certify these and certainly want to make sure that all of our statements are correct.

Nalley: I understand and acknowledge the lender will confirm the eligible loan amount using required documents submitted. I understand and acknowledge that the lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of SBA office of Inspector General for the purpose of compliance with these program rules and review.

Nalley: As you know, anyone who received over $2,000,000 is subject to audit. It is very standard in federal grant programs. Both Liz and I have administered many federal and state grant programs and are fully aware of those requirements. So let me just stop there for a minute before we get into our particulars. Is there any question on our application and the statements that we had to certify?

Podawiltz: Yes, Dan.

Dan Aylward: What was the legal category? Are we a 502 (C) (3)?

Nalley: No, we are not a 502 (C) (3) and as you know, nonprofits are not the only entities who receive SBA loans. We're a strange entity. We actually file 1120 H's. So we file Corporate Homeowner Association returns. But we fall under, for IRS purposes, Section 528.

Dan Aylward: And why do we think that that qualifies, when it specifies that nonprofits are limited to the 501 (C) (3), 503 (C) (19) in Section 31 B 2 C for [sounded like he said 'tribal'] organizations.

Nalley: That's only if you file as one of those. Those aren't the only entities receiving these. For profits are also getting these.

Dan Aylward: I understand.

Nalley: Right.

Dan Aylward: It says, 'for nonprofits.' We are a nonprofit.

Nalley: We are not a 501 (C). We were organized under Arkansas's Nonprofit Corporation Act, butthat is completely different. Section 528 is part of the nonprofit IRS code. So we can't get confusedabout, we filed under Arkansas's Nonprofit Act of 1963.

Dan Aylward: Okay. So where in here does it say that Section 528 is authorized to receive this?

Nalley: It doesn't. And nonprofits aren't the only ones that receive them. Correct, Liz?

Mathis: That's correct.

Nalley: Yep.

Dan Aylward: Did we consult anybody just to make sure that we're okay?

Nalley: We consulted our bank. We consulted the SBA. We had to give them our tax ID number. We believe we fall within that realm. Do you have information otherwise? I know, Donna asked me this same question. And she had some concerns early on where we fall. And certainly, I can get someone on the line from SBA, but we fall in a strange area.

Dan Aylward: We didn't get any outside counsel besides discussion with the SBA?

Nalley: We talked to our CPA firm. We talked to our CPA firm. We talked to the bank. Was there someone else?

Mathis: Well, I think what, the guidance we were given is that the SBA would approve or deny and the wording was very vague. And what it says is that unless it is specifically waived in the act, is the wording. And I'm pulling that straight out of the Federal Register, right here. And so once it went through the SBA approval. So the SBA approved the loan.

Podawiltz: Yes, Lloyd.

Sherman: But at this point, it's a loan. It's not a forgiveness.

Nalley: Well, it can't be forgiven until the 8 weeks passes.

Sherman: I understand.

Nalley: Yeah. So that's that 75/25 rule. It's a 1% loan, unless we spend 75% on payroll and 25% on the other.

Sherman: So back to what Dan is asking, do we have anything in writing and I know this is a vague area. This is a concern for me, for us, having a $3,000,000 loan at the end of this process, as I know it is for everybody, that we're, can that covered here before this 14^{th} day comes around or the 14^{th} comes around.

Nalley: I would say that what we have in writing is the approval from SBA and we have been told by each of, as I said, even Donna mentioned that she wasn't sure if we qualified. A lot of people have…this is kind of one of those things that was happening very rapidly. The rules are not promulgated to the nth degree and so from all of the advice that we were given, is you are not specifically excuded

Sherman: You're also not specifically…

Nalley: … and you're not specifically named. And it's because you are weird. You know. You are a strange entity. So what we have right now is the SBA's approval.

Mermel: I'd like to make a comment. SBA, before the special programs, never ever loaned money to nonprofits, so this is very, very special.

Nalley: Yeah.

Sherman: No, I understand.

Mermel: Through the [sounded like she said 7 ayer] or the 504 or anything.

Nalley: And that's the reason why we feel somewhat confident that we're okay because their programs are not normally for nonprofits. So, you know, I mean we could very well be surprised and our CPA firm, our bank, our SBA loan officer, all of those people could be leading us down a different path. But I just don't see anything telling me that. Again, though, if there's that concern, as of the 14th, we can give this money back and take that off the table. So.

Mermel: I can also add that the Chamber tried to apply and was told 'no,' right off the bat. So…

Sherman: I was aware of that.

Mermel: Okay, so.

Nalley: Okay. All right. Oh, go ahead. Go ahead.

Omohundro: I am just thinking so if it's determined down the road that we did not qualify and I don't understand this totally. But, we would be obligated to pay 1% interest on the monies that we used.

Nalley: That's right. That's our issue.

Podawiltz: One percent on the money, plus pay back the principle.

Sherman: Plus the principle.

Omohundro: Well I understand that, but the cost to us, we're going to have to pay these bills anyway. If the cost to us is 1%, if we utilize this money. If we don't…if we utilize it and it is okay, then we're way ahead. If we don't utilize it, we're okay. We've probably made a big mistake.

Podawiltz: Well, that would be true. But if we utilize it and we're wrong and we didn't qualify and we utilized it, so the money is gone. We'll then be on the hook for the three million, eighty-nine thousand dollars plus 1% interest for the amount of time that it takes us to get it back to them.

Sherman: Which is about $176,000 a month.

Nalley: Uh huh. The payment.

Omohundro: Are we going to spend that money anyway?

Nalley: We're spending that on payroll. That's where we are.

Omohundro: Are we spending it anyway?

Podawiltz: Oh, yeah.

Omohundro: Well, you know this..my…

Podawiltz: I understand what you are saying. I just…

Omohundro: [difficult to tell what he is saying because Podawiltz is talking at the same time]

Omohundro: …gonna take the risk for 1%, myself.

Dan Aylward: If I can add. It affects our trajectories, spending into the future. It is not so much, we're putting this money out right now. But it's what are we going to spend over the rest of the year?

Omohundro: Well, I don't think we need to look at it that way. I think we need to not spend any more than we have to, even though we got this money.

Nalley: Yeah. And that's how we're approaching it. Yeah, because again, remember, this is two months of payroll. That's all we're talking about here. Two months of payroll and some rent. I mean, we're…people, I think the number has gotten some people keyed up, but we spend this…we spend 1.2 million dollars a month on payroll as it is and I don't remember how much on utilities. But, yeah.

Podawiltz: But we don't have any, do we…we have no interest on mortgage obligations and we don't really have any, do we, we don't have any mortgages on anything. Does that go into something…

Mathis: That also covers lease payments and interest on lease and other financing agreements. So we do have a little bit. But with the window that we are looking at right now for that 8-week window, we've got 5 pay periods and so we're going to spend more than that without getting into interest or any of that, just literally on utilities and payroll.

Chuck Alvord: If we found out a mistake had been made and we weren't eligible for forgiveness. Is there any reason we couldn't pay the loan back in 3 or 4 months?

Nalley: Oh no. You could give it back immediately.

Chuck Alvord So I think that is what you're getting at.

Nalley: That's right.

Chuck Alvord: Worse case is, we have a few months of interest if we made a mistake.

Nalley: That's it.

Omohundro: Best case, we've got $3,000,000.

Nalley: Because in essence, in 8 weeks, we're gonna know whether or not we're you know, we're probably gonna have had our audit and we're probably gonna have all of those evaluations. So we'll know within 2 months.

Podawiltz: We might have had our audit. We don't know how far, how long behind…they seem to be lagging a little…we don't know…we're picking on the federal government.

Mathis: They are still changing the guidance for forgiveness right now. Still working on the kinds on that.

Nalley: Let's say by the end of, I'd say by the end of the year that we will…

Podawiltz: Yeah we will have it by the end of this year, but I don't trust the federal government to speed the wheels on this to get these audits done in a very timely fashion.

Dan Aylward: What is the funding date?

Nalley: The funding date? Let me see. I have the loan document here. April 24. Thank you, Liz.

Podawiltz: And our 8 weeks end June 19th. And that's in the forgiveness provisions on the handout that we got this morning that also was…

Nalley: Yeah, there we are. In the forgivess…

Nalley: So why don't we go to this handout then, because this will kind of put into perspective this information. And Liz did you want to…I'll just switch chairs with you, if you like.

Mathis: …go through this.

Denger: I had a question.

Podawiltz: Sorry, Kirk. I didn't look up.

Denger: Yeah. I am just wondering, do they have like a savings account somewhere that pays anything close to 1% interest to where the money that is coming in right now could be put in that savings account to offset that 1% in case it does come due and payable and use this money for the next couple of months on payroll and either way it will come out as a wash.

Podawiltz: No. There's no savings account. No short-term financial instruments out there that are going to be paying 1% right now. We're at pretty much zero percent interest rate environment on any kind of earnings. We're at point 2 or 3. But that's about all you can look at for 60 day interest.

Mathis: I can add, we're in the middle of this 8-week period you spend it. And the way that they are operating is a little bit more on a cash basis. So it actually has to go out the door by June 19th. So we really don't have time. As we're looking at all of this, had we not received the loan, our operating balance at April 30th would have been about $290,000. So our option is reserves, line of credit, cashing out investments. That's the other side of the table there. So that maybe helps put some of that in perspective.

Podawiltz: Does that answer your question, Kirk?

Denger: I think so. I was just thinking that we still have income coming in though that without this loan, we'd be spending it right out the door on payroll. And so, with this loan it seems to me there should be a surplus to be invested somewhere to offset the possibility that we'll have to repay this loan.

Podawiltz: Well, not really because our revenues are down tremendously. Whereas, the expenses have been pretty well ongoing you know. So we would be looking at a cash…we're looking at a real cash crunch here.

Omohundro: So what we're saying here, I guess is if we didn't have this $3,000,000 loan, we would actually need a $3,000,000 loan.

Nalley: Uh huh.

Podawiltz: Yes.

Nalley: Yes.

Omohundro: We get this 1% right now, may not be a bad deal.

Nalley: Yeah. I mean, I applaud Liz for going after this.

Podawiltz: Absolutely.

Nalley: We, as you know, we had a $2,000,000 decrease. We were projecting a $2,000,000 decrease. Which now we projected as $1.7 million so we made up a little ground. But a $2,000,000 decrease in revenue on top of this. So we would have been in the hole.

Denger: Thank you.

Mathis: I want to just go through some of the highlights then of this program. I did put on this worksheet you are looking at, it's got all the payment terms on there. There is that 6-month deferred payment period. Right. So, we would accrue interest during the deferral, but we don't have to make any payments on this loan until November of 2020. So that's our little window there. And we've already talked a little bit about the window for spending there. The loan is due and payable within 2 years. And it goes through some stuff about the purposes of the loan and the loan forgiveness terms and I will say I have an email from Friday afternoon that still says, 'as of this time, the SBA has not provided final guidelines for forgiveness provisions of PPP loans.'

Mathis: So, while I have read the Federal Register and I have read the packet of frequently asked questions multiple times and many other resources. They are still working out…I put some notes in here. The AICPA actually issued a series of recommendations. That's the Association for CPA's. They issued some recommendations to the SBA of things they thought needed to be changed on this. You know, once you get into the application of, having to make all this work, there's kinds they are still trying to work out there. But, based on what we know right now and the guidance that we're given at this point in time, 75% has to be spent on payroll and payroll-related expenses. And the others 25% can be spent on interest, rent payments, leases and utility payments. So, as I noted in here, at this point in time, with the 8-week window we are looking at, it's all gonna go out the window, plus some. And as long as we follow the rest of the guidance, there shouldn't be any reason from that information, based that it's not forgivable.

Podawiltz: One question, the rent payments or leases…was…I am thinking that what they are saying here, without, that they, is typical of government things that I've dealt with for many, many years. I think what they are inferring here is rent payments and leases for your physical place of operation.

Mathis: Yeah and that you know, again, there is some gray areas of things they need to work out. For us right now, just between payroll and utilities, we're okay.

Podawiltz: We're okay. Okay.

Mathis: Without getting into the nitty gritty of some of the other stuff.

Podawiltz: I think that is what we need to be looking at because I am not sure that any of our lease obligations would qualify.

Mathis: Right. So that's where we were really trying to look at the pieces of that and estimates. And I used some pretty conservative estimates to figure out, you know, were we going to get to that place.

Nalley: And I would just add on the leases, I don't know if you all are aware, but just recently the IRS put out new rules on leases. There's new GAP rules related to leases. So that whole lease topic is very much up in the air. As a matter of fact, we are going to have to be restating some, the way that we're capturing some of our lease payments in the future. So…

Podawiltz: And they also have already put some of that on delay back in 2022, too.

Mathis: But they keep delaying it…

Podawiltz: Then they throw it back in…

Mathis: …business models have implemented it and some haven't and…

Podawiltz: They throw it in and take it out. But I, as a former tax accountant, I would read this as saying that when they talk about interest on mortgage obligations, they are talking mortgages. You own a restaurant, you pay a mortgage on your building. Rent payments or lease payments, you run a business and you got a store and a retail operation and you're making lease payments for your store. I don't think they are talking about rent payments for renting equipment or lease payments on equipment here. So I think as long as we know that this 3 plus million dollar, almost 3.1 million is gonna have to be utilized for your payroll and our utility, then that's what I think…And I think that that's what you are telling me is that is what it is based on.

[Female- (sounds like Nalley) says Yes, ma'am.]

Mathis: So then on the second page, you'll see there's some additional forgiveness provisions. So one of them has to do with, it kind of designates 2 areas where forgiveness could be reduced and it has to do with a decrease in full-time equivalent employees during the period compared to a reference period and a reduction in actual compensation of the covered period.

Mathis: So I am going to go into those areas in a little bit more detail. They do have some additional guidance on, you know, covered period versus what comparative period. And you have 2 options. You go from February 15th to June 30th of 2019, which is kind of the same period of time that we are talking about right now- but from last year. Or you can do January 1st to February 29th of 2020. So looking at the beginning of this year. Those are the 2 periods of time they've offered for comparison. So, if you look at that, our most recent pay period had 300.79 fte's [full-time employees] and the 2 comparative periods are either 335 or 310. So, this further demonstrates, I mean it especially as we've got facilities opening back up getting people back to work. The pay period we just paid out, that most recent one, we still had open positions that we had kind of frozen hiring on and things like that. So we're working on trying to get those FTE's back up where they should be for those comparisons.

Mathis: Yes, Mr. Sherman.

Sherman: I know you knew I was going to have questions. The 445 that was on the application, how does that tie back to the full-time equivalent?

Mathis: So the 445 on the application on the head count, at that point in time, to determine if we were under 500 employees.

Podawiltz: So that included our part time as well?

Mathis: So that is a head count versus an FTE, which has it's own calculation to where you take part times and turn them into a full-time equivalent. So, again, that is why we are working to start to fill some open positions that we've kind of held off on. I know our Public Works and Public Utilities Department particularly had some areas where we've kind of said, 'okay, hold on for a minute.' But we do need those positions and we need to get people back to work and then as they reopen some of our facilities, we're getting some people back to work. Several people had opted to take unpaid time off, so we didn't' do any layoffs. But we didn't necessarily have everybody working, either.

Sherman: Did we bring those people back off of unpaid leave? I mean are they being added back to the head count now and if any of them applied for unemployment is that impacting our ability to get those people back?

Nalley: Yeah. Uh huh. Can I speak to that? Let me just say, that's been one of the, you know, the bad points in all of this is that in the CARE's ACT, people were incentivized to be unemployed, pretty heavily. People were making a lot more money being unemployed than they were being employed. And so at the beginning there was this big frenzy. I mean everybody, not just with our employees, because we have great employees, so I am speaking very broadly right now. But everybody was rushing to be laid off, to you know, take unpaid leave and to go file unemployment. All along we said we are not laying anyone off. Be careful because you are likely to get declined. Well luckily the federal government kind of regrouped itself and said, 'you know what, now we're going to need a certification from the employer that says you actually were laid off and that's got to come with your unemployment application.' So, we had a little flurry there at the beginning, all across the nation and now that is kind of getting dialed back.

Sherman: And so I guess the obvious question would be, we have no concerns about getting to the 310 level on the FTE's during this period of time.

Nalley: I don't think we will.

Sherman: Okay. Thank you.

Dan Aylward: Have we brought them back, yet?

Mathis: Yes. Our HR department has been actively working on that.

Dan Aylward: As of when?

Nalley: Almost immediately they began working on it when we got this funding

Mathis: When we received funding.

Nalley: Yeah.

Mathis: When we knew we had the funding which was actually about 5 days before we received it and the payback period started.

Nalley: So we don't have concerns at this point.

Mathis: It talks about, additional information again, talks about all of this, you know. The whole point of this loan is to rehire or bring people back to work, especially if we'd had some closures or some areas…I will add, that's part of what the AICPA's kind of guidance to the SBA was, was you lock people into this really, really tight 8-week window for when they receive the funds, but maybe you should be a little bit more flexible to allow them time to bring people back to work. What if they are a restaurant that the state didn't allow them to reopen and things like that.

Nalley: Bring the average up- because it is an average. So you got to allow them time to get their average back up to where it needs to be.

Mathis: So, who knows, it could change a little bit based on some of that feedback that the SBA's been given from some professional organizations. But, we're going again off of what we know right now and the window of time that we know about right now as it stands and the guidance that stands right now.

Mathis: Other big piece that is salary reductions. So, you can't, it has some stuff in here where it talks about you can't, on both of these you can't bring them back and then let them go June 30th, right after your loan period is up and you can't, you know raise the salary back up and then cut it down June 30th. They've got some guidance on both of those that says the intention is not to do it for the 8-week window and to drop it off again. The intention is to bring it back up to your normal operating status.

Mathis: On the third page then, again we have been informed that any money over 2 million dollars will be audited and we're doing detailed tracking on all of these funds and how they are used, same that we would any federal or state grant program.

Podawiltz: Would you explain to our listening public and to maybe other Board Members that need this information, this is going to be an audit. This is not going to be people coming in and auditing. They will send some type of form that they…don't you think that that is how this is going to go? And you'll fill it out and send it back in.

Mathis: I've had great programs where the auditor actually came and sat in my office and flipped through all the paperwork and the files.

Podawiltz: But these are so massive.

Mathis: Yes, these are so massive, it will probably be some sort of file upload system or we'll have to scan all the documentation in and send it up to them and let them sort through it. So the better organized we have it and the better tracking we have, the easier it is for them to audit and it makes it go really, really [undecipherable].

Podawiltz: I just thought that people should have a little bit of overview. When you hear the word, 'audit,' sometimes people think about the IRS knocking on their door saying,'you owe me.' And this isn't a scare tactic. This is just a way for the government to gather information and make sure that their program was effective and that it did what it was supposed to do and that everybody that was involved in it did what they were supposed to do.

Mathis: And that you use the funds appropriately. I mean, that's the big piece there, is did you use the funds the way the grant stipulated that the funds were to be used. Because with grant funds of any sort, whether it is forgivable or not, they are designated. So these are our now designated funds that have to be used that way.

Mathis: I put in here this clause, which is question 31 off the frequently asked questions, I kind of put the whole wording in here, just for your guys to see exactly what that wording was. The banking institutions have kind of come back at us after the loans were issued and said, 'make sure everybody is okay with this because you have until the 14th to return the funds and especially those larger grant recipients. They kind of reached out to us specifically. And as I kind of mentioned earlier, part of the reason that I feel confident in certifying this is because again, where we are at right now, our operating balance is almost $800,000 lower than it was the same time last year. So I mean that starts to put it…When I tell you we only have $290,000 in the operating account at the end of April if I took these loan funds out of it, that balance would have been $900,000 lower than April 30th of 2019. So, which is about 2 payrolls. So it kind of reiterates the need for the funds.

Mathis: And then I talked a little bit in here about our estimates of losses. I redid those estimates. They are included here on the last two pages. Before I talk about that, I just do what to say we did apply last week for the Arkansas Ready for Business Grant Program. Based on the guidance that has been given, the likelihood of us receiving is probably lower on that just because they are trying to get 75% of those proceeds or those funds will be going to businesses with less than 50 employees. But we have incurred additional expenses for PPE [personal protective equipment]: cleaning supplies, masks, gloves, sanitizer and are having to do even more as the state guidelines come out about reopening gyms and reopening restaurants and all of this. So that program is specifically designed to help cover the costs of all of those PPE and other special things that we…expenses that are a little bit out of the ordinary that we are having to do, just to maintain operations and keep our staff and customers healthy. If we got that, those funds would cover expenses incurred between March 1st and December 31st and so it's got a larger window of spending. So, we'll keep you posted. If we receive that grant fund, and that is a grant. It is not a loan or anything like that. It is a grant. It covers period of expenses that we started incurring in March 1st of this year and would go through the end of the year. It would basically give us ten months of a window to spend. And we spent about $12,000 so far this year.

Podawiltz: Dick, did you have something you wanted to say?

Garrison: I just want to repeat what I said to Lesley and to Liz when I first found out about this. This is a smart business move. I applaud you two guys. You did a great job getting this money and it will help the village. There's all this negativity. This was a good thing and thank you for your work on this.

Nalley: Thank you.

Podawiltz: And once again, I'd like to remind everybody that when we say, 'you guys,' that's Yankee for 'y'all.'

[laughter]

Nalley: We say 'you guys' too. So we're good with that. No worries.

Omohundro: Liz, I know you spoke to it briefly and it may be in here but I am listening instead of reading. When we do start back our operations and this money is spent, we're obviously still going to be in a bad situation. We don't have another $3,000,0000 coming in. You said it would be a certain amount of time before we could actually start looking at doing things and cutting back our costs somewhere. How long are we limited in doing that? I mean, we can't afford to keep going with these revenue loss amount. Grant you, they won't be as big, but they are going to be there. Do we have to keep going the way we are for a year or a month or what?

Mathis: So that's where our, if you want to look at the forecast, then we can talk about this a little bit. Where I am looking at 1.7 million dollars in losses right now is through the end of June and this still doesn't account for the fitness center or the restaurants really reopening. I left my projections where they were which was with, in some cases, no income. So I am kind of taking a really conservative, worse case scenario approach, even with the fitness center- that nobody shows up because they are not comfortable there. Right. So we've kind of got that period. So right now what we're looking at is through the end of June, this window. I think as we go through these phases of reopening and we start to see how engaged people are. Are they going to start dining in a restaurant? That increases revenue there. Are they utilizing the fitness center or are we going to start to be able to get some of those reimbursement payments from the insurance company for use? Then we can start to adjust that. And then I think that's where we're going to have to just take it a month, two months, three months at a time and start to look at this as a moving target and it's really hard to say what it's going to look like in 4 or 5 months. Are we going to be able to open up to outside golf play, which is a huge revenue loss. Lesley, you want to add?

Nalley: Let me just…just to that, I think it's…neither one of us are saying you know, 'look we can't do anything for the rest of the year.' Right. We've got this money. Nobody is saying that. What we are saying is, we've made an estimate that we get zero revenue for March, April, May and June. Period. So that's worse case scenario. Best case scenario is June we can open up for visitor golf. We've got more people coming out to all of our different amenities, things like that. And our picture looks a little better. But until we can open up, the visitor side of things, we're still at risk. Once we can open up the visitor side of things, you know, our financial picture is not as bad as some people paint it. It wasn't [undecipherable].

Nalley: There are some challenges, certainly. And as the Board knows, I've talked about a couple of different operations that even before this happened that need to have a, that need to have a look at them. Food and Beverage being one of those. We have a plan for that. So, I don't think either one of us is saying business as usual for the rest of the year. I just want to make sure that…

Dan Aylward: What was our revenue shortfall in April?

Mathis: I haven't looked. I just closed April on Friday so I haven't pulled all of the financial results yet. I specifically looked at these areas to update this projection for you through the end of January. It was actually better than I projected, in golf in particular.

Dan Aylward: At the end of March, our revenue was $800,000 behind last year. And last year was significantly less than what we're projecting total revenue this year. It's not so much how much we are losing from COVID-19, it's closures as a result. But it's a question of where do we stand overall and at the end of March, we were 1.9 million dollars behind on operating profit and if we took another hit this month or just using your estimates, you had 1.7 now, so that is almost $3,000,000 of shortfall just on the revenue side.

Nalley: No

[someone says I don't think so.]

Nalley: I think you're doubling up there.

Mathis: So the 1.9 million was, this is how far off we're going to be at year end with year-to-date plus these projections through June. Now I am saying it is 1.7 million. So we've actually had a $200,000 improvement and where I think we are going to be off at year end to budget. I am strictly talking current with a little bit of projection to budget.

Dan Aylward: But if you were already that far to $1.9 behind…

Nalley: No, that is a projection.

Dan Aylward: As of March 31…

Podawiltz: We were $800,000 down.

Dan Aylward: You're $800,000 down in revenue, but 1.9 million behind 2019 in operating profit…

Podawiltz: In projected operating…

Nalley: Projections.

Dan Aylward: No, as of March 31, we were 1.9 million behind based on financial statements that were issued at March 31 and so…

Nalley: Can you show me what you're looking at? Can you show me the financials of what you're looking at that tells you that? Because maybe we are mixing some things…The income statement has a little bit further in.

Podawiltz: For those of you that are watching, we are looking through the March financials right now. Our Corporate Treasurer, Dan Aylward, is taking a look at the March financials.

Omohundro: I am going to ask one more question while they are doing that.

Podawiltz: Yeah because Liz can probably answer for you.

Omohundro: What I was referring to a while ago was not our revenues and where we think projections and all that. What I was talking about, we know they are going to be off. I not questioning how much. That's not the question. My question was, how limited is this going to make us in doing something about the lack of that in our personnel or whatever. I mean if we don't need a waitress for another six months, are we going to have to keep paying her for six more months even though we don't need her? For an example, a waiter or whatever. Does that make sense?

Nalley: I would be careful at commenting about specific positions, but I see what you're saying.

Podawiltz: I think what he's trying to say is if our business stays down, which we are a business and our business stays down, because we all know none of us know how people are going to react and what kind of participation levels we're going to get. I mean this is evolving quickly and changing on an hourly basis. But if our business remains down, our revenues remain down, are we going to be…I think we're looking at the 300 and what was the number again you gave for the average employment?

Nalley: 310

Podawiltz: 310, 311, 312, 310. I mean, I'm still seeing that there's a possible shortfall, even at that because 310- I mean, I don't under…the full-time employee equivalent. I still don't know how you take part-timers and turn them into a full-timer on that, but I don't need to know.

Nalley: So let me answer because I'm trying to answer Tucker's question. And yes. Let's X position. Whatever X position. We still have a right to operate our entity so that we don't run it into the ground. So worst case scenario, we didn't get to 310, we have to pay back the loan. Worse case, that's the absolute worst case scenario. We're gonna take the step and you made the comment, I think it's a perfect one. You know we're gonna bet on the right path. If it's better for us to reduce an operation because financially at the end of the day the two, you know the cash in, cash out makes better sense. That's what we're going to go with and do those analyses. So I don't think either one of us are saying, and I know there's a lot of angst in the community. There's some angst in the community about we're not going to get to the right level, which, Dan did you find that amount?

Dan Aylward: Only in my notes.

Nalley: Okay. That we're really way far off and the business is failing, that's simply not true. We have some issues and I think in certain areas, we have some issues that we still need to solve and we plan to solve them.

Mathis: And I think as you come through this, post June, right, where are we making business decisions, if the business decision is to change the structure of an operation or I mean, worse-case scenario, you close an amenity or do something like that. That to me is a business decision that is made, not an individual hiring, firing position decision. And that's where I think they are looking at the difference. And that would be a delineator to me, too, if we're faced post using these funds and everything else to make some hard business decisions in that worst-case kind of world, that would be much different from saying, you know, 'you Susie Q, are laid off.' Right.

Podawiltz; What I was alluding to is you know we can have our fitness center open and we can have it properly staffed for it to be open, but if the people don't come and they don't return to using it, then we have to look at the situation there.

Nalley: Absolutely. The same with golf courses.

Podawiltz; The same thing with golf courses.

Podawiltz: The same thing with everything. If people don't use them, then we have a business decision, we have to make.

Nalley: Absolutely.

Mathis: Which is why the projections that we are looking right now, still, even though we are reopening don't include any of that revenue. We haven't calculated based on anything like that being a guarantee because we don't know right now. And so what you also see, the longer list on this page that is areas where we are holding spending for the time being until we get a better picture of where we are at. So, we didn't say, 'oh, we got 2 million dollars worth of money and we're 1.7 down on revenue. It's business as usual.' We're still holding spending on these projects listed and items listed, for the time being. As the picture gets more clear, hopefully we'll be able to release some of those and move forward on these projects and get some of these done.

Dan Aylward: Madam Chair, I'll forward these calculations that I did.

Podawiltz: Okay, thank you.

Nalley: So, it wasn't in the financials though. It was calculations you [decipherable].

Dan Aylward: [undecipherable] numbers.

Nalley: Oh, okay. Was there any other questions on this program? And I guess the, you know the big elephant in the room is we have a window to turn back money if the Board so chooses. That's not what we are recommending. We feel that we can spend it. But if there's too much risk or involved. So if that needs to happen, this week is the time to make that happen.

Sherman: Yeah, and that is the question I was going to ask is, what is staff's recommendation on the 14th?

Nalley: Yeah. Right now, and Liz please correct me if I am wrong, we look like we're going to spend it all, mainly on payroll and a little bit on utilities as it was deemed. So, correct?

Mathis: Yeah.

Nalley: I think we're okay. We'll make one more phone call to SBA. I think that would be prudent. I think we're okay on, you know, were we eligible? I believe we're okay on, are we going to spend it in the right way? And certainly I have no concerns with Liz cleaning up the audits the way she has in the last couple of years. No concerns with our documentation and we'll be fully prepared for an audit.

Denger: I haven't heard anything negative about this loan and I think it is the greatest thing that we could have gotten since sliced toast.

[laughter]

Denger: I think one of the questions was, the requirements that were stipulated with this loan as to raising salaries and then lowering as soon as the loan was over and part of the requirements for keeping so many people employed and then you couldn't, but for the restrictions. After that period was over, there were some restrictions that carried on. But, I'm completely for this loan. And I thank you for doing your job in getting that approved.

Nalley: Thank you, Kirk. We appreciate that.

Podawiltz: Well, actually there is no requirement of the Board. We okayed the documents. We did all that on the 20th. We did that. It was a time-sensitive matter. We voted by email at the time to give you the authority to enter into, to submit the documents and to go forth with the program. There was nothing, no action required of the Board. There is no action required of the Board and today's, this is an update to the Board. We don't have to vote on this or anything. And we appreciate the time that you have taken to give us this. I would like to ask the Board to please make sure that they review these possible spending holes because some of the, you know, we may need to take a little more proactive role in this shuffle that is going to be going on. Do we spend on this that was approved in the budget? Or should we…? Because I am concerned right now with the rollover request on the building maintenance that the HVAC replacement. I'd like to know further where we stood in that. Have we already bought them? Are they ready to be installed? What's going on there? I mean, are we already committed to buying them?

Nalley: That's just a budgeted amount.

Podawiltz: Right. Right.

Nalley: One of the things I would say, Diana, is that we'd like the opportunity in both May and June's Board Meeting, because really what we are talking about, we've made a projection of getting no revenue. So we'd like to bring you, as we close each of those months, we'd like to bring to the Board, during the monthly financial report, what exactly, you know. We know what our projection is, but what are the actuals. And now what is our recommendation. I would fully expect this to change quite a bit because as Liz just mentioned, we actually beat the projection through April. So, hopefully once we open, we'll beat it some more. And there may be other things come off here.

Podawiltz: I would like to add to that. I believe that the Board is going to need a report every month as to where we stand on the PPP. This is what we did. This is the actual. This is where we spent it. This is the head count. This is the whole thing. And we need to see that by pay period.

Omohundro: We're talking about this as if we don't need to do anything. I think we do need to publicly do something here. We need to support going further with this or not support it and I don't think…I think it needs to be…We can't get the majority of the community to vote on this, but I think we can get the majority of the people in this room that are involved in this.

Podawiltz: So, so.

Omohundro: And not necessarily say a vote, but give Lesley direction.

Podawiltz: Yes, I think that's the case too. And I would like for each Board Member…We've heard Kirk say that he supports it. We've heard Dick say he supports it.

Omohundro: I support it.

Podawiltz: You support it. I support it. Lloyd?

Omohundro: Good enough.

Podawiltz: Do you support it?

Sherman: Yes. But…

[laughter]

Podawiltz: We all have trepidations. I mean because there are so many unknowns. We understand that.

Sherman: My concern…well yes, and I think discussions like this are healthy because I think the thing the Board needed to understand and the community needed to understand was that we're in kind of noperson's territory here.

Nalley: Absolutely.

Sherman: And we are taking a risk that this will turn into a loan.

[Someone says it will not.]

Sherman: We just have to face that. However, it's already been indicated and we have to move forward with this and our deal today was I think mostly getting educated from staff as to where things were and ensuring everybody understood that this is where we are. This is where we are.

Nalley: Yeah, we agree. We go the same way.

Podawiltz: Kirk?

Denger: I would like to add that the revenue coming in with say golf and pickleball, I can see where indoors in the natatorium, people might be reluctant to come in there. But as far as outdoor sports, the possibility of contracting the COVID disease is way, way less. Anytime you are outdoors, you're not susceptible to those flying particles and I think that golf will recover and should be promoted. We could be, you know, the greatest golfing club in America. Everybody might want to come here if everybody else's golf courses are shut down. The quicker we open ours, I just think that, you know, that will be a very popular thing- any outdoor activity.

Nalley: Good point. Good point.

Podawiltz: Thank you, Kirk. Our golf courses have remained open. We've had some really nice…this is the best weather for Spring that I can remember in my 17 years of living…being blessed with living here in the Village. I am sure that if we get a great weather year going forward, I think our golf revenues are going to do well. There's gonna be some pent-up demand to reschedule the tournaments and the outings and that kind of thing. And hopefully, they'll get rescheduled on our own property. You know, but, the staff I know is working diligently. Or I assume they are. I think they are.

[laughter]

Podawiltz: …working diligently…

[Someone says we feel like we are.]

Podawiltz: …They feel like they are…working diligently to recapture all those things. So I want to thank you and Liz for coming today with this and I think it was good that we got this done here, rather than wait. Well, we needed to do it here because of the time-sensitive nature of May 14th and our next Board Meeting wasn't going to occur until May 20th. And, as your chair, I feel it is important for these types of things to be handled in a public venue. You know, we're still operating under the COVID restrictions with our meetings. We'll be talking and finding out what we can do on May 20th. Like you know, hopefully we can open that up to 50 people or something.

Nalley: I…you want me to talk to that?

Podawiltz: Sure.

Nalley: Yeah, it is looking like and of course the Governor just signaled and this is why I've, you know, recommended to the Board that we be very careful what we go on record saying, we want to open or don't open. But, at one point, the Governor signals that May 18th would be the next large indoor and outdoor opening and it would be under 50 people and there'd be certain rules and all of that is being promulgated at the moment, but the COVID-19 numbers are increasing right now. And so he kind of left the door open right now at the last briefing to say that may get pushed. So we'll continue to watch that. And we'll just need to make a call. I'd say we'd need to make a call probably before he completely gives his…he won't say anything until the 18th. Potentially, he may say something before but we just need to find when we make the notice or send the notice for the meeting, we just need to make the call at that point what we think is going on, what we think we can do. But, we'll keep you posted. And we do have a, as I told the Board, we have a whole schedule of phase 1,2 and 3 openings that we're working from. And it's 100% based on what the Governor's mandates are at any point in time. So, we're just trying to follow those because we actually have no municipal authority. We have to be careful with that. So, we're just watching the Governor, what he does, making sure we don't, we stay in step with that.

Podawiltz: If there are no more questions…

Denger: Lesley…

Podawiltz: I'm sorry.

Denger: : I'm sorry. But this is probably off the subject, but it has to do with deadlines. I was noticing a May 15th deadline to apply for the Deer Hunt and I just wondered if that's been done.

Nalley: Oh, you…

Podawiltz: For here?

Nalley: Let me check on that, Kirk. That's the last information I knew was that was the deadline, May 15th to turn in the applications.

Denger: Yeah, and the sooner the better.

Nalley: Yeah. Yeah, true.

Podawiltz: Thank you, Kirk. I would now like to.

Denger: Okay.

Podawiltz: I would now like to adjourn our special meeting. Can I have a motion to…oh, Chuck?

Chuck Alvord: I'd just like to say I think was an excellent presentation that everybody in the Village should watch the video and….

Podawiltz; And it's recorded, so you don't have to watch it today. But it's there for everybody to reference back to or whatever. Yes and thank you.

Chuck Alvord: Yes and they should. And I'd also like to add that I think Liz and Lesley have done an excellent job getting this done and getting us as far as we are. But I also like Diana's idea of monthly reports of the status of it. This is a big deal. We need to stay on top of it.

Nalley: We agree. We agree.

Sherman: And I was just going to say that I echo those comments. Thank you very much for the information and the dialogue.

Nalley: Thank you.

Podawiltz: Can I have a motion to adjourn please?

Sherman: So moved.

Podawiltz: Is there a second?

Omohundro: I'll second.

Podawiltz: All in favor, say 'aye.'

[Ayes]

Podawiltz: We now stand adjourned.

By Cheryl Dowden, May 13, 2020

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