

**JAMES/KILMER CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
September 23, 2014**

A meeting of the Board of Directors of the James/Kilmer Condominium Association (the "Association"), an Illinois not-for-profit corporation, was called to be held on Tuesday, September 23, 2014, in the James House Hospitality Room, 1560 North Sandburg Terrace, Chicago, Illinois, pursuant to By-Laws.

CALL TO ORDER

Barbara Mueller, Vice President of the Association, called the meeting to order at 7:05 p.m. A quorum was present in that the following directors were present:

David Beck
Lynn Conner
Peter Cremer
Susan Geffen
Betty Latson
Barbara Mueller
Dorsey Ruley
Nancy Slattery

Judy Barnes was not in attendance.

Also present were Thomas Kristufek, Property Manager, and Regina Gubic, Property Supervisor, of DK Condo, A Draper & Kramer Company, and Rick Morel of Mesirov Financial Services. Barbara A. Roberts acted as Recording Secretary.

UPDATE ON CLARK AND NORTH DEVELOPMENT

Ms. Mueller reported that the Clark and North Planned Development was approved at the latest Chicago Plan Commission meeting and that it will be presented for approval at the next Zoning Commission meeting, which is scheduled for Tuesday, September 30 at 10:00. She added that the meeting agenda will be posted on Friday, September 26. Ms. Mueller continued by reporting that the developer, Howard Weiner, has stated that if it is felt that the PD cannot be passed at the September 30 meeting, it will be deferred to the Zoning Commission's October meeting.

MANAGEMENT REPORT

Mr. Kristufek reported on the following:

- Assistant Engineer Harry Gedzius suffered an injury which caused his temporary absence.
- There was a leak into the south side of the south James House lobby caused by a cracked kitchen drain line, the permanent repair of which will be scheduled as soon as the replacement pipe fitting is received. Mr. Kristufek noted that the maintenance person on duty was able to move lobby furniture away from the water.
- The tax law firm of Worssek & Vihon, which is still under a contingency fee agreement with the Association through 2014, will appeal the 2014 property valuation increase through the Cook County Assessor's Office and, if necessary, through the Board of Review. Worssek & Vihon has submitted a proposal to represent the Association for the next triennial period, 2015 through 2017, but Management recommends seeking proposals from other tax law firms.

- The Finance Committee is scheduled to meet on October 1 to review the first draft of the proposed 2015 operating budget.
- Management received an audit of gas bills from September 2013 through August 2014 from Prospect Resources, Inc. It is expected that this firm will seek to become the Association's future energy purchasing consultants, replacing Constellation, with which the Association is locked into gas and electric contracts for fixed pricing through 2015.
- Repairs to the laundry room storm drainpipe are scheduled for Tuesday, September 30, weather permitting. Residents will be given one week's notice of laundry room closure for a day or two during the repairs.
- Management recommends some interior painting projects in both Kilmer House and James House, and asks the Board's advance approval of these projects because the common area decorating project is running 22% over budget.
- Management checks the weather forecast daily and will change the buildings' systems over to heat mode when low temperatures in the 40s are consistently forecast.
- Paul Gaudette of Wiss Janney Elstner Associates has submitted a Project Schedule for the James/Kilmer garage renovations, Repairs are scheduled to be completed by May 2015. The Board will be asked to approve the contractor at its December meeting.
- Air balancing and pressurization improvements: Elara's responses to the Finance Committee's questions are as follows: (1) the City building code permits a reduction in building exhaust; (2) replacing air handlers or installing demand-controlled ventilation requires only a simple Repair Replacement permit from the City; (3) although the Association cannot achieve 100% air balance with improved makeup air supply only, the air supply can be increased with slightly larger makeup air handlers, but that is somewhat limited by the size of the existing ductwork. EMCOR reviewed both buildings' air handler units on Friday, September 19 and will provide Management with an estimate for refurbishing the units. The Finance Committee will review the estimate as a possibly less expensive alternative to replacing the units.
- The freight elevator modernization project began on September 8, and work on the first elevator will be completed by the end of next week using overtime. Management is asking the Board to consider approving additional overtime pay to expedite the project.
- Following the Management Report, discussion ensued about Stanley Decorating painting the entryways of Kilmer House and about the paint or coating type and color to be used. There was also discussion about increasing vent filter thickness if the air handlers are replaced or refurbished, depending on the results of EMCOR's review. Mr. Kristufek stated that he will ask the Board to approve a not-to-exceed amount of \$9,270.00 to clean the air intakes at the ends of the corridors, including the ductwork and all of the air handler unit components, and that Management will seek additional bids for the work. Discussion ensued.

RECESS TO UNIT OWNERS' OPEN FORUM

The Board recessed to a Unit Owners' Open Forum at 8:22 p.m.

RECONVENE TO REGULAR SESSION

The Board reconvened to its Regular Session at 8:32 p.m.

ASSOCIATION INSURANCE QUOTES

Rick Morel of Mesirow Financial Services stated that the building appraisal limit has been increased to \$166,631,000.00, up from the current limit of \$161,778,000.00. He reported that Marshall & Swift appraisal software sets the appraisal limit at between \$185 million and \$190 million, but that using a number in that range would increase the insurance premium, which is based on the buildings' insurable value. Mr. Morel recommended that Management obtain a current insurance appraisal to establish the two buildings' replacement costs. Mr. Morel then described in detail the offerings from various insurance carriers for the variety of components of the Association's insurance coverage, noting the sizable differences in coverage premiums among the carriers. He also reviewed the options suggested by Mesirow. Mr. Morel also explained that property insurance is designed to replace "like kind with like kind," giving the example that if there is a property loss in either building and the City of Chicago requires the installation of sprinklers, the Association's insurance will not cover that expense because originally there were no sprinklers in the buildings. Mr. Morel then reviewed further details of the various offerings, including insurance for garage keepers, directors and officers, mold, and terrorism coverage. He noted that Congress is likely to renew the Terrorism Risk Insurance Act. Mr. Morel also informed the Board about the various carriers' premium payment requirements. Discussion ensued, after which Ms. Mueller thanked Mr. Morel, and he left the meeting at 8:00 p.m.

APPROVAL OF MINUTES

Susan Geffen moved that the minutes of the Board of Directors meeting held on August 26, 2014, be approved as amended. David Beck seconded the motion, and it passed unanimously.

TREASURER'S REPORT

Ms. Latson presented the Treasurer's Report for the period ending August 31, 2014, as follows:

Interim financials through the eight months ending August 31, 2014 reflect \$4.0 million in revenue, including \$465,000.00 in direct charge income. Excluding direct charge income, the Association reported revenue of \$3.1 million. Revenue was higher than budget by \$58,000.00 due primarily to transfer fee revenue and strong garage net income, which was \$50,000 over budget year -to date. Revenue was \$20,000.00 over budget just for the month of August, thanks to the great work of Eddie Main and his garage team, offset by lower-than-budgeted service recoveries and legal reimbursements.

Operating expenses totaled \$2.9 million, and were over budget by \$148,000.00 as a result of utility costs, primarily gas costs, which were \$105,000.00 over budget; maintenance/repair costs, which were \$57,000.00 over budget; bad debt expense, which was \$50,000.00 over budget; legal costs, which were \$20,000.00 over budget; and professional fees, which were \$11,000.00 over budget. These expenses were offset by lower payroll, contracted expenses, and an insurance claim reimbursement.

The Association contributed \$746,000.00 to the capital reserve fund. As a result, at the end of August 2014, the Association reported a deficit of expenses over revenues of \$106,000.00, which was an improvement of \$18,000.00 over July's deficit, but which still

compares unfavorably to budget by \$85,000.00. At August 31, 2014, the operating fund balance was reported at \$299,291.00, and the capital fund balance was reported at \$5,850,000.00.

Each unit owner will receive a package of financial information next week including the 2012 and 2013 audits, the cost allocation studies for 2012 and 2013, and the tax letter through 2013.

COMMITTEE REPORTS

Finance Committee

Ms. Latson reported that the Finance Committee hosted its first budget meeting on September 11, 2014 to review the projected capital expenditures for the next five years. She stated that a couple of follow up investigations are occurring on some of the projects that the Association will be facing over the next two years, including the air balancing project and the remodeling of the penthouse and hallways. Ms. Latson further stated that the next Finance Committee meeting is scheduled for October 1 at 6:30 pm in the James House penthouse, at which time the Committee will review the 2015 operating budget.

Website Committee

Mr. Kristufek reported that some updates on capital projects have been posted on the website.

Social Committee

Mr. Ruley stated that there was nothing new to report at this time, and that the Social Committee will meet in October.

Garage Coordinator

Mr. Beck reported that the garage is doing well, as noted in the Treasurer's Report.

HOA Report

Mr. Beck reported that the HOA Board has approved distribution to all Village unit owners of its proposed 2015 budget, which includes a five-dollar increase in pool membership fees, but no increase in HOA assessments. He stated that the entrance planters will be replaced in the spring, and that Christy Webber has been chosen as the new landscaper for the Village. Mr. Beck reported that the suggestion to turn the fountain into a planter may be considered if James/Kilmer receives funding for outside projects from Mr. Weiner. He stated because soil is heavier than water, the proposed change will have to be approved by a structural engineer. Mr. Beck also stated that the membrane on the North Mall slab will be repaired soon.

Ms. Johnson stated that Jacobs/Ryan Landscape Architects will try to accommodate the various associations' wishes in choosing new entrance planters. She then reported on the Fifield development at Clark and Division, stating that Sutton Place has given its consent but that Beekman Place has not, owing to the proposed development plans for 1201 North Clark. Ms. Johnson added that the Jewel property development will probably move forward, and that the proposed rental apartment building height has been reduced from 43 to 37 stories.

Penthouse-Hallway Remodeling Task Force

Ms. Conner reported that she has distributed to the Board a new RFP letter that incorporates Mr. Cremer's suggested revisions, and she was directed to send the letter to the various designers chosen to bid on the remodeling project.

Welcome Task Force

Ms. Mueller reported that there were only three or four move-ins in the last month.

Rental Restriction Task Force

Ms. Mueller referred to a handout describing proposed rental restrictions that was distributed to the Board members, and noted that the proposed 20% cap on rentals is difficult both to administer and to explain to unit owners. She reported that the Kennelly Square Condominium Association amended its Declaration to require that new owners must own their units for at least 24 months before being eligible to lease their units. Ms. Mueller stated that if the proposed amendment were adopted by our Association, it would exempt all current owners for the duration of their unit ownership and would apply only to future purchasers. Mr. Beck remarked that any restrictions on current owners as to whom they may sell their units to will be met with resistance. Mr. Kristufek noted that the 24-month restriction is easier to administer and enforce. Discussion ensued about the proposed restrictions, with Mr. Cremer suggesting that both options – the 20% limitation and the 24-month ownership requirement – be offered to J/K unit owners, asking them to indicate which is the more acceptable. Ms. Mueller stated that the Task Force, which will now be headed by unit owner Carol Abrioux, will discuss this at its meeting on September 29.

ACTION ITEMS

Approval of Association Insurance Renewal

Upon motion duly made by David Beck and seconded by Lynn Conner, the following resolution was made:

BE IT RESOLVED, that the Board of Directors hereby approve the purchase through Mesirov Financial Services of the following insurance policies for the period September 30, 2014 through September 30, 2015: (1) for Commercial Property, Affiliated FM Insurance Company at a quoted premium of \$115,351.00; (2) for General Liability, Atain Insurance Company at a quoted premium of \$28,288.00; (3) for Directors' and Officers' Liability, Continental Casualty Company at a quoted premium of \$3,435.00; (4) for Commercial Crime, Hartford Fire Insurance Company at a quoted premium of \$9,195.00; and (5) for Umbrella Liability, Commerce and Industry Insurance Company at a quoted premium of \$12,974.00; for a total premium cost of \$169,242.00.

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorize Management to enter into a finance arrangement that requires a down payment of \$39,237.50, with nine monthly installment payments of \$11,677.16 each.

The motion passed unanimously.

COMMITTEE REPORTS (continued)

Communications Coordinator

Ms. Geffen asked that everyone continue to make suggestions for the newsletter, and stated that a "Letters to the Editor" section will be added to the next issue. Discussion ensued about the placement of notices in the buildings.

ACTION ITEMS (continued)

Action Item #3, Approval of Agreement with Tax Law Firm Worssek & Vihon, and Action Item #4, Approval of Contract Renewal with Otis Elevator Company, were briefly discussed and deferred.

Approval of Additional Overtime Allocation for Freight Elevator Project

Upon motion duly made by Lynn Conner and seconded by Nancy Slattery, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve a not-to-exceed amount of \$14,400.00 in additional labor costs to accelerate the freight elevator project, to be paid from the Reserve Fund. After discussion, the motion passed unanimously.

Approval of Painting Projects

Upon motion duly made by Nancy Slattery and seconded by Susan Geffen, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve an amount not to exceed \$10,380.00 in order to repaint various common areas including repainting the James House basement, receiving and freight elevator areas, touching up and revarnishing ten service doors in Kilmer House and repainting the Kilmer House marquee, stairs and handrail, to be paid from Operating Account GL#756300, Common Elements Decorating. After discussion, the motion passed unanimously.

Mr. Beck reported that Garage Manager Eddie Main has obtained a bid to repaint the garage in the amount of \$175,000.00.

Approval of Remodeling Requests

Upon motion duly made by Lynn Conner and seconded by Nancy Slattery, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve the remodeling of units #1111, #3710 and #4009, according to the requests submitted by the unit owners that have been reviewed and found to be in compliance with the Association's rules, regulations and conditions, the work to be subject to ongoing inspection by the Association's Assistant Chief Engineer. The motion passed unanimously.

Approval to Clean Air Handlers and Ducts

Upon motion duly made by David Beck and seconded by Peter Cremer, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve an amount not to exceed \$9,270.00 to clean the air handlers and the ducts serving the air handlers in James House and Kilmer House. The motion passed unanimously.

Ms. Conner left the meeting at 9:03 p.m.

Approval of Reimbursement to Unit Owners

Upon motion duly made by David Beck and seconded by Peter Cremer, the following resolution was made:

BE IT RESOLVED, that the Board approve the reimbursement to the owners of Unit #4301 and Unit #4303 of the sum of \$6,109.48, as discussed in the Executive Session preceding the meeting. The motion passed unanimously.

RECESS TO EXECUTIVE SESSION

The Board recessed to Executive Session at 9:04 p.m.

RECONVENE TO OPEN SESSION

The meeting was reconvened to Open Session at 9:06 p.m. Ms. Conner rejoined the meeting.

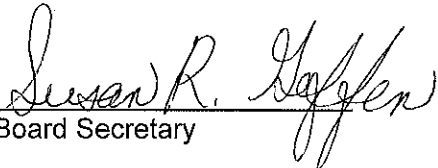
Upon motion duly made by David Beck and seconded by Peter Cremer, the following resolution was made:

BE IT RESOLVED, that the Board of Directors approve a fine in the amount of \$50.00 to be levied on the owners of Unit #302K for reasons discussed in Executive Session, the fine to be continued in the amount of \$50.00 each month that the issue is not resolved, and the fine to be waived if the issue is resolved permanently by 9:00 a.m. on Friday, September 26, 2014. The motion passed unanimously.

ADJOURNMENT

There being no further business to come before the Board, upon motion duly made by David Beck and seconded by Susan Geffen, the meeting was adjourned at 9:10 p.m.

Respectfully submitted,


Board Secretary

