

Finance Committee Meeting Minutes for April 5, 2010

Betty Latson, chair of the committee, called the meeting to order at 6:05pm.

The following members of the committee were present:

**Betty Latson
Dave Beck
Karla Ross
Gina Zehr
Barbara Fiacchino
Jay Owens
Barbara Grodzins
Frances Andrews
Angus Shorey
Tom Meyers
Duane Hickling**

Also Present:

Allan Werth of Draper and Kramer

Ms. Latson announced that there were three items on the agenda for this meeting:

- 1. Discussion of creating a Default Reserve for the window project**
- 2. Update on the status of Banker Night**
- 3. Status of Harris Bank loan approval process**

1. Discussion of Default Fund

The discussion centered on the amount needed for a default fund and how to fund a default fund.

Ms. Latson began the discussion by presenting two different methods for viewing how much money needed to be placed into the fund to adequately cover those owners who may default.

Ms. Latson presented two possible default scenarios which resulted in a range for the default reserve of between \$101,000

and \$614,000. All present agreed that the appropriate level of funding would be somewhere in between.

Ms. Latson also suggested a number of different ways to fund a default fund:

- a. Having all owners contribute a flat fee or a fee based on a percentage of the direct charge. The committee ruled out this approach for varying reasons.**
- b. Charging those owners who choose to use Association financing an incremental .5% to 1% over the Harris Bank interest rate as an administrative fee. This alternative is a procedure commonly followed by other associations in similar situations and has been recommended by the Association's attorney.**
- c. Contributing discounts due to the association from early payment of vendor invoices.**

After discussion, the committee agreed to recommend the following:

- a. Charging those who use the Association financing an administration fee of .5% over the Harris Bank interest rates. This money would be used to help pay for administrative costs of the Association financing such as legal fees as well as contribute to the default fund.**
- b. Using the discounts from early payment to vendors to fund the default fund.**

Some committee members asked what would happen in the event of an excess balance in the fund after the loan expired. The consensus of the committee was that trying to refund funds would be difficult, as people will be moving in and out of the building, and any excess funds could be put into a Limited Common Element Fund for the benefit of all James House owners. Ms. Latson indicated that the default fund would be segregated in a separate checking account and would not be part of the general capital reserves.

2. Banker Night Update

Gina Zehr and Barbara Grodzins indicated that planning was going well for the two Banker sessions. They anticipated that 8 to 9 Banks would be participating. They will post additional flyers regarding the Banker sessions encouraging people to consider personal financing by pointing out personal financing will afford lower rates, longer amortization, and potential tax deductible interest while the Association financing does not.

3. Status of Loan with Harris Bank

Ms. Latson indicated that the loan may be approved as early as Wednesday the 7th of April, but hopefully the following week at the latest.

Ms. Latson pointed out that the Bank has some concerns about the lawsuit and the possibility that the Appellate court could ultimately rule that the Association cannot use the reserves as collateral for window financing. A discussion on this issue continues with the bank, but Mr. Beck pointed that it is unlikely that the court will deny the Association the right to use the reserves as collateral given its ruling on the motion to stay. Ms. Latson indicated that we should know the exact interest rates in late April and that hopefully the loan will close no later than mid May. The Board will need to approve the Bank loan prior to closing. It is anticipated that the exact direct charge should be known in early May.

Lastly, Ms. Latson pointed out that the final corrections on the allocation study had been completed and that the final report should be available in the management office. Also utilities were at a low point and that the board should consider locking electric rates for an additional year or two and consider the same options for natural gas.

The meeting was adjourned at 7:59pm

Betty Latson 4/17/10 22:29
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