

FINANCE COMMITTEE MEETING MINUTES FOR JULY 1, 2010

Ms. Latson, Committee Chair, called the meeting to order at 6:35pm.

The following committee members were present:

**Betty Latson
Dave Beck
Tom Meyers
Barbara Fiacchino
Duane Hickling
Jay Owens
Angus Shorey
Amy Drew
Gina Zehr**

Also present: Mike Schall of Picker and Associates.

Ms. Latson announced three topics for the meeting:

- 1. Review of the JK 2009 Draft Audit**
- 2. Update on Harris Bank window project financing**
- 3. Future Finance Committee Activities**

1. Discussion of the 2009 Draft Audit

Mike Schall began the discussion by noting that the Association was in a good financial position. It had increased its cash position by \$1.8 million between the end of 2008 and the end of 2009. He noted that the accounts receivable delinquencies were low for an association the size of JK.

He then went through some portions of the audit noting the more important items.

Following Mike Schall's discussion, the committee spent the next two hours going through the audit page by page, discussing possible corrections. Included in that discussion was how the scavenger rebates should be reflected in the audit, and whether the bad debt reserve was adequate. The committee and auditor agreed that the scavenger rebate was properly reflected. Ms Latson indicated she would speak with our Draper and Kramer supervisor, Allan Werth, the management office, and Picker to determine the adequacy of the bad debt reserve levels.

There was a lengthy discussion of Note 6 to the audit, which indicated that the Harris Bank held \$1.9 million of the Association's reserves in uninsured accounts. Ms. Latson commented that Harris had represented that this money was held in insured accounts at various banks through a network with Harris. After discussion, Ms. Latson indicated that she would speak to Allan Werth of DK and Keith Walker of Harris Bank to clarify the issue and obtain written confirmation that the money was in insured accounts. Mike Schall indicated he would talk to his contact at Harris as well.

It was agreed by the Finance Committee that Note 8, relating to events involving the various votes for the window and balcony project and proposed financing required rework to properly reflect the facts. Dave Beck agreed to rewrite the note.

Duane Hickling agreed to review the Reserve Schedule in the audit with the building engineer to provide an update on the projects that had been completed or were in process since the 2005 Reserve Study had been completed. It was agreed that a few sentences should be added to update the Reserve Schedule of the audit.

It was expected that the corrections would be made in time to present the audit to the Board for its approval at the July 2010 meeting. The audit would then be distributed to the ownership in August.

2. Status of Window Financing

Ms. Latson indicated that the loan documents with Harris Bank were now complete and would be signed immediately following the Finance Committee meeting. She indicated that the preparation of the documents had been lengthy because of the complexity of the issues between the James and Kilmer Houses.

As of the date of the meeting, the James owners had pledged to pay approximately \$9 million in cash up front out of the \$12.2 million cost for the James unit owner window and balcony project. 21% of the ownership opted for one of the Association's financing plans, but this number may change as some owners were still contacting the office. 53 units had not responded to the commitment form even after being contacted by the office. These 53 units were 15 studios (3 are currently delinquent in their assessment payments), 27 one-bedroom units (10 are currently delinquent in their assessment payments) and 11 two-bedroom units (1 is currently delinquent in its assessment payments).

Ms. Latson noted that there would be instructions for payment included in the envelopes containing the direct charge invoice. There was some

discussion that the instructions needed to be very clear. Ms. Latson indicated that she would discuss the contents of the letter with Allan Werth.

3. What's Next for the Committee?

Ms. Latson indicated that the next job for the finance committee would be the 2011 budget. She anticipated that the budget meetings would begin in August. She noted that the Board had approved an updated reserve study so that the committee could properly budget for capital reserves.

Ms. Latson asked the committee how they would like to approach the budget process. The committee members agreed was that they would like to have the proposed budget thoroughly completed in its entirety before the process begins. If the budget was completed and the budget sheets presented in an accurate and clear method, the Finance Committee would feel more comfortable, concentrating on the bigger and more complicated/controversial line items of the budget. Such an approach would allow for potential fewer and more productive meetings. Ms. Latson would lead the budget meetings with the assistance of Allan Werth, Richard Vicens, and John Zissis. The committee would like Management to concentrate on appropriate staffing (giving consideration to the results of the allocation study and other building staffing standards), cost containment and revenue sources at JK. Management should relay the same message of cost containment and revenue focus to Standard Parking. Ms. Latson indicated that she would make Rich Vicens and Allan Werth aware of this.

A brief discussion was held about doing a follow up allocation study for 2009. Mr. Hickling thought it was important that we continue to monitor the spending on a building-by-building basis. The Finance Committee agreed that the allocation study should continue, and that the Association should investigate the cost to have Picker & Associates complete it. Ms. Latson agreed to have Mr. Vicens obtain a quote from Picker to do such a study.

The meeting was adjourned at 9:55pm.