

## **Finance Committee Meeting Minutes for March 25<sup>th</sup>, 2010**

Ms. Latson, chair of the committee, called the meeting to order at 7:20pm

The following members of the committee were present:

Frances Andrews  
Amy Drew  
Barbara Fiacchino  
Duane Hickling  
Betty Latson  
Tom Meyers  
Jay Owens  
Karla Ross  
Dorsey Ruley  
Gina Zehr

Also present: Allan Werth, DK Account Supervisor

### **Bank Discussion**

Ms. Latson shared that the banks are fully aware of the current legal situation and that the latest motion to stay preventing the use of the reserves for use in the James House window financing has been denied. The final appeal of that issue is to be heard much later in the year.

Ms. Latson will meet with Harris next Tuesday (March 30) to review covenants, rates, and other details to obtain the loan commitment. She expects that we can obtain loan approval by mid-April.

### **Banker Night Discussion**

Banker night co-chair Gina Zehr made a report on the status of this owner event.

- Two events are planned for Wednesday, April 7 (5:00 pm – 8:00 pm) and Saturday, April 17 (10 am – 1 pm).
- Ms. Zehr will prepare an information sheet for bankers.
- Chairs will check with the banks to see if the banks can provide signage for the event along with brochures and contact information.
- The events are being held in the James Lobby areas for maximum exposure – it was noted that the event is NOT intended to provide for the confidential financial discussion that is needed to secure a loan – any confidential financial discussion would happen during a follow-up meeting scheduled between the unit owner and their chosen bank.
- Ms. Ross will work with chairs to develop notice to owners.

The anticipated schedule of financial dates for owners: Direct Charge notification early May with payment due August 1, 2010.

### **Reserves Discussion**

Ms. Latson and Mr. Werth shared the current reserves spreadsheet (the final

version from the budget meetings Fall 2009) and indicated there will be some updates to the sheet as follows:

- The cost of replacing the James House aluminum siding needs to be added to the reserve capital expenditures. The current estimate is between \$210,000 - \$270,000. This asset will be the final element in the James exterior renovation work – most likely to occur in 2012.
- The Kilmer façade work is estimated at \$435,174 of which \$172,902 is common element cost. The current estimate in the current reserves needs to be increased by \$43,675 once the Kilmer sealant cost (LCE) is removed.
- All transaction costs are being collected and finalized including bank loan costs, security costs, and other miscellaneous components of the overall project prior to final determination of the unit owner direct charge amount.
- Discussed the need to verify the air duct cleaning and rebalancing costs, James roof, and sun deck costs. All of these costs in the reserves spreadsheet are current placeholder amounts, and don't reflect current bid estimates.

### **Default Reserves Discussion**

Three methods of funding “default reserves” were discussed including:

1. Those unit owners borrowing through the association loan could pay extra points to contribute to the default reserves.
2. All James owners could be charged a one-time amount to fund the default reserves.
3. A combination of the two.

Mr. Werth presented a chart that showed the defaults in regular assessments over the last 8 years and the trend during this recent economic downturn. It shows at the current time that we have an average of 9 owners in some kind of default on regular assessments.

There was a lot of discussion “testing” different assumptions or what-ifs regarding the potential size the default pool might be, what ways to deal with those going into default on their monthly payments, what rules will need to be written on our processes, how banks handle foreclosure assessment obligations and what is fair in terms of who should fund the risk of defaults. This discussion did not resolve any decisions that will need to be made but gave everyone a better sense of the concepts and what has to be worked out further. Ms. Latson and Mr. Werth will work on some scenarios to bring back to the next Finance Committee meeting in a week.

### **Meeting handouts**

- Delinquent account summary sheet – 2002 – 2010 (Allan Werth source)

**Meeting was adjourned at 10:05 pm.**