

**FINANCE COMMITTEE MEETING NOTES
FOR NOVEMBER 21, 2011**

Present:

Betty Latson, Chairperson

Dave Beck

Barbara Grodzins

Barbara Fiacchino

Frances Andrews

Dorsey Ruley

Tom Meyers

Judy Barnes

Jay Owens

Richard Vicens

Jim Losik

Meeting commenced at 6:34pm

Betty indicated that the purpose of the meeting was to finalize the 2012 budget. She indicated that some changes had been made based on the City's budget, knowledge of the final union contracts, as well as actual 2011 results through October.

- **Expected net garage income was placed at \$355,000 based on further review of the garage budget and the decision to keep 2012 garage rates the same. It was determined that the new City "congestion tax" will apply to JK. Standard Parking is determining how the changes will effect JK day parkers and what changes will need to be implemented to maintain garage income at the projected levels.**
- **Legal Reimbursements were adjusted to \$20,000 based on updated forecast for 2011.**

- **Scavenger rebate income for 2012 was lowered to the new rebates rates approved by the City. Although the rebate will be reduced and eventually eliminated by the city, it has been determined that past due amounts will be paid. It is unclear whether JK will receive one or two payments a year.**
- **2011 projected photocopying expense was adjusted upward to \$18,500 based on the year to date 2011 numbers and expected mailings remaining in 2011.**
- **Legal collection expense was raised to \$25,000 based on the 2011 projection.**
- **Communication expense was adjusted to reflect year to date 2011 expenses. The 2012 expense was maintained at a lower level as the management office believes it will not incur certain expenditures in 2012.**
- **Bad debt expense was lowered to \$10,000 (from \$20,000).**
- **Payroll and benefit expenses were adjusted based on union contracts and 2011 projections. It was noted that the janitors would not receive a pay increase in 2012. The door persons' union contract is up for renegotiation in 2012. Total increase in payroll expenses for 2012 is 1.38%**
- **Electricity expense was adjusted to \$250,000 based on 2011 numbers. The water utility expense was changed to \$136,046 based on a 25% increase in fees that will be charged by the City.**
- **Elevator contract expense and elevator repair expenses were placed into two different GL accounts. 2011 was a difficult year for elevator repairs---about \$50,000 in unexpected expenses were incurred. The committee agreed that 2012 estimated elevator repairs should be budgeted at \$30,000 based on the 5 year historical repair average, hoping that some of the 2011 issues do not repeat themselves in 2012.**
- **Cable TV expense was revised down to \$164,920 reflecting the current bids of AM3 and RCN. This also takes into account paying RCN a higher amount for the first quarter if AM3 is chosen as the provider.**

- **A 3% capital reserve increase in assessments was contemplated in the 2012 budget.**
- **Betty noted that there was going to be an approximate \$130,000 loss in 2011. A \$130,000 increase was placed into the operating budget to replenish the operating fund.**

It was noted that the revisions would lead to an approximate 6.17% increase in assessments for 2012 including the expected HOA assessment increase.

Discussion turned to ways to lower the assessment increase. Dave Beck suggested that the Association lower its capital reserve contribution in 2012 by \$130,000 and contribute that amount to the operating fund, and eliminate the 3% increase in reserve contribution for 2012. This would bring the assessment increase for 2012 to 1.94%. Given the upcoming direct charge to JK unit owners for the HVAC pipe repair project and the possibility of delaying the timing of certain garage capital expenditures, the Finance Committee believed that unit owners would find the proposed increase more appropriate while still leaving the Association's capital reserves in good order. Tom Meyers suggested lowering the reserve contribution enough to achieve a zero change in assessments. The consensus of the committee was that a 1.94% increase was reasonable and could recommend the proposed budget to the Board for distribution to JK unit owners.

Discussion turned to the capital reserve levels. Frances Andrews asked why we needed to maintain a \$1,000,000 minimum level in the capital reserve fund. Betty passed out an updated capital reserve cash flow chart which notably showed the reserve levels falling to less than \$700,000 in 2013, primarily owing to an expected \$900,000 in garage repairs.

Betty noted that the capital reserve levels were contingent upon the level of usage of the window and concrete project contingency. It appears that the contingency reserve may not be used in its entirety, resulting in a like increase in the capital

reserves. Information was expected shortly from Jim Swint from Klein and Hoffman regarding the allocation of costs to the window and concrete projects to verify how much of the contingency reserve may be utilized.

Discussion of the potential phasing of the garage repairs to maintain the reserve levels at an appropriate level was also discussed. Rich will speak to Jim Swint regarding which repairs can be phased, taking into account the immediate safety issues identified by Eddie Main, the garage manager. Given these uncertainties and additional necessary projects, there may be no money available from capital reserves for the HVAC lateral pipe project, but this topic will be discussed further at a future meeting.

Betty thanked those in attendance for helping put together the 2012 budget. The Finance Committee will meet in December to discuss the direct charges to Kilmer for balcony repairs and window resealing, the direct charge to all unit owners for the HVAC pipes, and the financing for both projects. Betty indicated that she has had preliminary discussions with Harris Bank and would speak further with them in the coming weeks.

The meeting was adjourned at 8:25pm