

JK FINANCE COMMITTEE MEETING MINUTES
January 16, 2013

PRESENT:

BETTY LATSON, CHAIRPERSON

DAVE BECK

JUDY BARNES

FRANCES ANDREWS

BARBARA FIACCHINO

NANCY SLATTERY

BARBARA GRODZINS

ANGUS SHOREY

JAY OWENS

RICH VICENS, PROPERTY MANAGER

JOE DI GIACOMO, COTTER PROJECT MANAGER

Meeting Commenced at 7:05 am

Betty discussed the recommendation of the previous week's IC meeting. The IC will be recommending a voluntary replacement of the fan coil units as it appeared that the fan coils are overall in good order. As a result, the direct charge will only involve lateral (HVAC) pipe replacement, and financing through the Association will be available for the HVAC pipe replacement for those unit owners who may need it. Financing through the Association will not be available for the replacement or refurbishment of the fan coils. Unit owners will need to self finance any of these costs.

Betty also stated that she had discussed the use of reserves for the HVAC pipe replacement project with the Association's attorney, David Sugar. He advised that we cannot use reserves to pay for the pipes or use reserves on an interim basis to cover the initial costs. David's opinion was based on the results of the window lawsuit. In lieu of use of reserves, the committee will explore the possibility of lowering the reserve contribution for a short period of time for all owners and substituting a portion of

the direct charge so there is less of a financial impact on the owners. The Finance Committee will have to analyze future projects to see if this is feasible. The committee expressed a clear desire to lower the financial impact to owners if possible.

The committee's discussion attempted to clarify the direct charge amount by looking at several specific line items:

- 1. Actual contract amount for Emcor would be charged to owners--\$1,938,219. Joe Di Giacomo indicated there could be a labor rate increase in June, but no final determination had been made yet. It was noted that the contract price is subject to be lowered since less units will need to be done because of prior replacements---cost is a per unit cost based on all units being done. There was also discussion of how to handle those units that may have had replacements prior to two to three years ago. There are likely only 9 or 10 units that had pipe breaks prior to 2010. Further discussion on this issue will take place at next FC meeting.**
- 2. Request further Investigation of the Association's operating costs. A significant variation existed between the estimates provided by JK management vs the project manager.**
- 3. It was suggested that Cotter's costs be adjusted to \$150,000 based on the length of project**
- 4. \$20,000 utility costs will not be included in unit owner costs**
- 5. Security costs of \$172,536 appears to be a good estimate and will remain as part of the charge.**
- 6. Construction loan costs will remain as part of the charge since the Association may be financing the construction costs until the direct charge is invoiced.**
- 7. Moving costs have been removed from the charge as this will be the responsibility of each unit owner directly.**

Current total of direct charge is \$2,463,000. This assumes all units will have their pipes replaced. Adjustments will need to be made for units that have had some or all of the work done

previously. Cotter has been given a list of units where work has already been completed to enable the Finance Committee to better estimate the soft costs of the direct charge to unit owners. Rich noted that valves may still need to be replaced in those units that have had work done prior to the official project start. Discussion then turned to contingencies.

The committee agreed that contingencies estimated at \$100,000 for lateral pipe replacement and \$650,000 for potential vertical pipe issues that may arise during replacement of the lateral pipes be covered from the capital reserves.

Betty indicated Harris Bank has already approved financing of up to \$4 million dollars. Interest is expected to be in the 4% range. The Finance Committee still needs to discuss the length of the terms available to unit owners to pay off any money that they may borrow from Association.

The committee then looked briefly at the 30 year cash flows projections. It was noted that the fan coil replacement cost time frame was pushed out several years reflecting the test results. Additional work needs to be done to update cash flows. The Finance Committee also discussed updating the reserve study.

Next Steps:

- 1. Finalize individual direct charges. Joe Di Giacomo will work on final figures**
- 2. Update cash flows in order to determine if we can lower reserve contribution**
- 3. Develop a time line from this point forward so we can accurately predict project start date and next steps needed to begin the project. Joe Di Giacomo will handle this.**
- 4. Coordinate with IC to set a date for town hall meeting.**

Meeting adjourned at 8:51pm