

**JK FINANCE COMMITTEE MEETING NOTES
JANUARY 29, 2013**

PRESENT

BETTY LATSON, CHAIR

DAVE BECK

BARBARA GRODZINS

BARBARA FIACCHINO

FRANCES ANDREWS

JAY OWENS

JUDY BARNES

ANGUS SHOREY

DUANE HICKLING

JOE DI GIACOMO OF COTTER

RICH VICENS

JIM LOSIK

The meeting commenced at 7:15pm

Betty announced the following agenda items:

- 1. Another look at direct charge amount after changes from last meeting**
- 2. What financing options will the Association provide?**
- 3. Look at capital reserves to determine the possibility of lowering reserve contribution to offset a portion of the direct charge.**
- 4. Town Hall meeting content/owner survey**

1. Direct Charge

The committee reviewed a new spread sheet prepared by Joe Di Giacomo which reduced the contract amount for the pipe project to the actual bid of \$1,938,219.

Costs for project manager were revised to a potential of \$152,000 if an extended period of time was needed for the

project and at \$129,800 in costs if no extension of the project date was necessary.

Total direct charge is \$2,447,921.

A listing of units that have already had all or a portion of their pipes repaired was presented to the committee. It was agreed that the chart would be clarified to show what work had actually been done, rather than simply showing where the break was.

There are an estimated 10 units that have had breaks between 1998 and 2009. These units will be inspected. If work needs to be redone where the breaks occurred in these units, it was agreed that the Association will pay for the HVAC repairs for those units where the work had been previously completed and the unit owners had previously been charged.

Units repaired from 2010 to the present will also be re-inspected. Since those units were repaired by EMCOR, it is anticipated that there won't be any problems. However, valves will need to be installed. Joe will attempt to obtain a cost for the valves, and a determination will need to be made of whether a charge to unit owners will need to be passed on.

Discussion turned to allocation of soft costs. It was agreed by the committee that soft costs would be allocated among all 616 units. The Association would need to absorb soft costs for those units that will not incur direct charges because the work had already been completed.

In response to questions as to whether a performance bond was included in the cost, Joe Di Giacomo indicated that he would check with EMCOR. The committee agreed that a performance bond should be obtained.

Contingencies were set as follows:

- **\$100,000 for unexpected additional HVAC pipe replacement costs**
- **\$650,000 for unexpected breaks related to the vertical risers.**

2. Financing

Betty indicated that BMO Harris has approved a \$4,000,000 line of credit.

The committee discussed the length of time owners should be given to pay back money borrowed through an Association loan. After looking at the anticipated direct charges for different size units, the committee, by an 8-1 vote, voted to allow a maximum three year term, with Frances Andrews advocated for a 5 year term. After looking at the amount of the direct charge and the outstanding window loan, the majority felt it prudent to only go out three years for pay back.

Financing will not be available for those owners who choose to replace their fan coil units. Joe Di Giacomo indicated he needed to know by March 1, 2013 who wanted new fan coil units so the project could start as currently scheduled on April 15, 2013. After some discussion, it was agreed that the cost of the fan coil units would be added to an owner's May assessment bill.

It was agreed that a direct charge for the pipes would be levied so that it was payable no sooner than September 1, 2013. Owners who took an Association loan would be given the option of paying in full each following September 1st.

3. Capital Reserves

The committee looked at the possibility of reducing the capital reserves to offset a portion of the direct charge. Betty presented a scenario that lowered the reserve contribution by \$400,000 per year for the next 3 years beginning in 2014. It was agreed by the committee that this would likely leave us short in the next few years thus

forcing a significant increase in the reserve contribution in the outer years. The committee saw no advantage in that. The committee will reexamine the possibility of lowering the capital assessment as it prepares the 2014 budget. By that time, there will be an updated reserve study that will give the committee a more accurate understanding of the needs of the Association.

4. Town Hall Meeting

It is hoped that the meeting will occur in the second half of February. If Latin School cannot be arranged, it will be scheduled to take place in the hospitality room. The town hall presentation format will be patterned after the presentation used for the James window project.

Once the town meeting is completed, a survey will go out to owners asking for preliminary thoughts about payment of the direct charge. A second survey will also be included asking about replacement of fan coil units. Owners will have to make a definite commitment regarding fan coil units by March 1st so pricing can be determined and units can be ordered. A second binding payment commitment will be required of owners prior to the levy of the direct charge for the pipes.

Meeting adjourned at 9:10pm