

FINANCE COMMITTEE MEETING NOTES FOR OCTOBER 2, 2013

PRESENT:

BETTY LATSON, CHAIRPERSON

DAVE BECK

BARBARA GRODZINS

DORSEY RULEY

FRANCES ANDREWS

NANCY SLATTERY

JAY OWENS

ANGUS SHOREY

BILL WINTER

JIM LOSIK, DK SUPERVISOR

TOM KRISTUFEK, JK MANAGER

JOHN ZISSIS, JK BOOKEEPER

EDDIE MAIN, JK GARAGE MANAGER

THE MEETING COMMENCED AT 6:40PM

Agenda:

- 1. Review Proposed 2014 Budget**
- 2. Review 2013 Reserve Study Draft**

Review of Proposed 2014 Budget:

Garage Manager Eddie Main discussed the garage budget. 2014 garage net income was estimated to be \$375,000. Eddie estimated monthly parking revenue at \$865,000, and stated this was a conservative estimate as monthly parking was trending upwards. Eddie noted that transient and event parking at Germania were somewhat hard to predict, but both sources of garage income had provided significant income to the garage. The budget prepared by Eddie assumed no garage rate increases. The committee unanimously agreed to leave garage rates unchanged for 2014.

The following specific budget items were discussed:

HOA Reimbursements for Gas and Water

John Zissis noted that HOA reimbursements were a year behind so 2014 figure would reflect costs incurred in 2013.

Legal Reimbursements

Betty noted that current legal reimbursements seemed to be significant lower than budget. John Zissis noted it was likely a timing issue. It was agreed to leave the legal reimbursement figure at \$20,000. The reimbursement will offset the higher professional fees incurred year to date from the tax appeal.

Fee for Tax Appeal

It was noted that the attorney's fee for the successful tax appeal will be allocated and added to each owner's November 2013 assessment bill (approximately \$24,000 in total legal fees)

Refuse Rebate

It was noted that this year JK had received approximately \$46,200 for year 2008. The City is two to three years behind. Budgeted amount for 2014 reflects the decrease in rebate to be paid by city.

Audit Expenses

It was noted that a garage audit will be conducted in 2013 thus the increased audit expense in 2013.

Bad Debt

John Zissis noted that it was expected that there would be approximately \$17,000 in bad debt for 2013. The recommended figure for addition to allowance for doubtful accounts in 2014 is \$35,000 based on \$58,800 in potential write-offs in 2014.

Insurance

The insurance premium for 2014 is known and has been approved by the Board. A 5% quarterly increase was built into

the fourth quarter of 2014 to account for the following year's premium that will not be known until September 2014.

Janitor's Payroll

It was noted that the budget contained provisions for a Class A employee on the second shift (an approximately \$7,000 higher rate than a Class C employee). Tom Kristufek felt that the addition of a Class A employee on the second shift was unnecessary because very few, if any, repairs would be made on that shift. He noted that a Class A employee had more experience and would likely be bored on a shift where there was little more than cleaning responsibilities. The committee agreed with Tom's recommendation and \$7,000 was deleted from the janitor's budget.

It was noted that both that while the doormen's contract was unsettled, it was anticipated that there would be a very small salary increase, and the bulk of the increase in cost would come from the need to fully fund the doormen's pension fund. This was anticipated in the figures put into the budget.

Utilities

No changes were made to the figures proposed by John Zissis for electricity, gas or water. It was noted that prices for both gas and electricity are locked through the end of 2015. The city has dramatically increased water rates.

Window Washing

A number of committee members questioned the competency of the current washing company and suggested management look into other options.

Painting

Several members suggested that the painting budget be watched closely. It seemed that we were spending an inordinate amount. It was noted that the halls are scheduled to be done in 2014, and we want to avoid duplication.

Cable TV

A unit owner has suggested that Cable TV be billed equally per unit as opposed to the current method of percentage of ownership. The owner has noted that RCN charges on a per unit basis and that the Condo Act gives the Board the discretion to bill each unit owner on a per unit basis. The owner provided analysis that showed two bedroom owners currently pay more and the cost to unit owners increases per higher floor. Jim Losik noted that there are valid arguments either way. Many of his Associations bill on a percentage ownership basis. Other Associations bill an equal amount per unit. It was also noted that larger units have more cable outlets thus more service. The consensus of the committee was to continue to include the total TV cost as part of the total assessments rather than breaking it out, given the relative small amount of money involved.

Reserve Contribution

The draft 2013 Reserve Study recommended lowering the reserve contribution by \$250,000 in 2014. The purpose of the reduction was to account for Limited Common Elements that had previously been reserved for, but would now be direct charged to the owners. This includes, most notably, balcony repairs. It was noted that future window resealing is also a limited common element. Currently, the reserve study lists that expense as a common element. JK's attorney has advised it should be treated as a limited common element. The change will be accounted for in the revised 2013 reserve study.

The proposed budget lowers total assessments from the 2013 level. An increase in operating costs was more that offset by the reduction in reserve contribution. The committee unanimously recommended that the Board approve the proposed 2014 budget.

PROJECTED CAPITAL EXPENDITURES

Betty noted that a sheet of expected reserve expenses for the next five years would be sent to owners. The committee reviewed the projected reserve expenditures and moved certain expenses to 2014.

It was noted that the sun deck will be completed in 2013. The following items were moved to 2014: boiler room painting, garage repairs, freight car upgrade, boiler tubing, variable frequency drives and exercise equipment. The spreadsheet of projects will be updated as they are completed or eliminated.

Betty noted that it appeared that the committee had completed its review of the proposed budget. There were very few changes. She suggested that there was no need for a second meeting on October 10th. The committee agreed. Betty asked Jim Losik to provide a copy of the corrected budget next week. If anyone had any corrections or comments, they could be directed to Betty.

The meeting adjourned at 8:50PM.