

**JK FINANCE COMMITTEE MEETING NOTES
NOVEMBER 20, 2012**

Present:

Betty Latson, chairperson
Dave Beck
Peter Cremer
Dorsey Ruley
Barbara Fiacchino
Judy Barnes
Frances Andrews
Karla Ross
Jay Owens
Angus Shorey
Nancy Slattery

Also Present:

Tim Winnecke of Cotter and Associates, project manager for HVAC pipe project.

The meeting commenced at 7:10. Betty announced that the purpose of the meeting was to review the spreadsheets for the costs related to the HVAC pipe project and a potential HVAC convector unit replacement.

The meeting was turned over to Tim Winnecke to go over the cost charts with the committee.

Tim noted the following:

1. Cost of HVAC pipe project was budgeted at \$2.3 million. The actual contracted cost was around \$1.9 million, inclusive of wall opening and closing. No costs for changes or the unexpected. Tim recommended using the \$2.3 million figure. Issue—does JK bill budgeted amount versus actual amount leaving extra as contingency? No decision was made.

2. Cost of a mandatory convector replacement is expected to be \$3.5 million. This assumes all 1492 convectors are replaced. A discount would be given to the association if all convectors are replaced at the same time as the pipe project. If a voluntary convector replacement is undertaken, the original prices would apply and be higher per individual unit as opposed to a full replacement. It is assumed that not all owners would elect replacement under a voluntary option.

3. Tim then discussed soft costs, which would be billed to owners as part of a direct charge. He noted that these soft costs would remain the same even if both pipe and fan coil projects were undertaken at the same time. Thus there is a significant cost savings if both projects are done at the same time. Tim emphasized that these numbers are best estimates and can be modified.

The soft costs include:

A. Fee for Cotter-\$200,000

B. Fee for Fox Valley-\$85,000

C. Utility costs---\$20,000 The committee asked for further clarification of this issue as unit owner power sources may be used and it is unclear to what extent, if any, this work might potentially increase the Association's utility usage.

D. Operations Costs----\$200,000 Tim explained this category included overtime for Association employees to among other things, drain and refill the pipes. Several committee members noted that we had assumed only a \$40,000 cost for this item in the JK budget. This item needs to be clarified/corrected. It was suggested that Rich needs to be consulted as to the basis for this figure.

E. Security cost---\$250,000 this number is an estimate based on hourly rate for contractor. No contract for security has

been solicited and the Board has not determined its security needs. This number will need to be modified once that determination is made.

F. Loan cost-\$100,000 It is anticipated that the direct charge will happen early in the project, and we will not need to use financing to start project.

Total estimated soft costs are approximately \$857,000. The committee agreed that these numbers need to be refined as indicated above. It was also noted that there would need to be performance bonds for the contractor and that cost would have to be added as part of a direct charge amount.

4. Association Costs -- These are costs currently categorized as costs that would be supported by the capital reserves by the project manager but are not necessarily correctly categorized. These include:

A. Moving costs--\$20,000 This would include cost of moving things such as mirrors, built ins etc. in individual units. The committee seemed to feel that this should be a unit owner expense as it was with the window project. The Board will have to develop a uniform policy.

B. JK administration fee for both projects of 1%. The consensus of the committee was that this could be eliminated and handled similarly to the window project where those who borrowed were charged an additional fee for administration of the payments.

C. Resident Default fund of \$96,000. This would likely be charged directly to owners as was the case with the James window project and the Kilmer window resealing/balcony project. An amount for both projects will need to be determined by FC and Board.

D. Contingency reserves for the pipes of \$350,000 and for the convectors of \$668,000. These amounts would be labeled in the capital reserves as contingencies for these projects as was done with the windows. These numbers are estimates and can be modified. Tim noted that the contingency for the pipes would primarily be to fix any vertical pipe issues that might arise during the lateral pipe replacement. It was not as clear what issues might arise regarding the convector replacement. It was suggested that Fox Valley be consulted to give the committee an educated estimate as to what the appropriate contingencies should be. It was noted that Klein and Hoffman recommended contingency numbers for both the concrete and window projects, and we should ask Fox Valley to make similar estimates.

Tim then went over the estimated cost per unit size in both James and Kilmer for both pipes and convector units. He noted that the per unit cost will change depending on how the soft costs are adjusted.

Karla Ross suggested considering the same borrowing method for the lateral pipe project as we are considering for the fan coils, if the fan coil project is not necessary. She felt owners would appreciate it.

It was also suggested that we use a portion of the capital reserves, if legally and financially possible. Further discussions with David Sugar regarding the legal aspect of this issue are necessary given the supposed restrictions from the window lawsuit.

Next Steps

Tim noted that in order to actually start the project in March, everything needed to be arranged by mid January, including financing and all necessary items for Board approval. He noted that the fan coils could be delivered within a month, which is faster than originally discussed. The committee agreed that there would need to be a Town Hall meeting before any work started outlining costs and logistics of the project.

It is anticipated that the fan coil pipe test results should be available in late November or early December. The committee agreed that the IC should meet first to discuss the fan coil results. It is expected the IC will meet the first week in December.

It was agreed that an FC meeting would be held the second week in December to discuss the IC recommendation. Depending on the recommendation, the committee will either eliminate discussion of the fan coil financing or move forward with alternatives for financing that project. Further, the committee will need to refine the contingency numbers whether the fan coils are or are not part of the scope of the project.

The meeting adjourned at 9pm.