

**JAMES/KILMER CONDOMINIUM ASSOCIATION  
BOARD OF DIRECTORS MEETING  
February 23, 2010**

A meeting of the Board of Directors of James/Kilmer Condominium Association (the "Association"), an Illinois not-for-profit corporation, was called to be held on Tuesday, February 23, 2010, in the James House Hospitality Room, 1560 North Sandburg Terrace, Chicago, Illinois, pursuant to By-Laws.

**CALL TO ORDER**

Duane Hickling, President of the Association, called the meeting to order at 7:10 p.m. A quorum was present in that the following directors were present:

Frances Andrews  
Judy Barnes  
David Beck  
Duane Hickling  
Betty Latson  
Dan McNamara  
Tom Meyers  
Nancy Slattery

Dorsey Ruley was not in attendance.

Also present were Richard Vicens, Property Manager, and Allan Werth, Site Supervisor, of DK Condo, A Draper and Kramer Company. Barbara A. Roberts acted as Recording Secretary.

**OPEN FORUM**

A unit owner asked about trucks from AT&T that she observed in the area and asked if the Association is changing its cable provider. Mr. Vicens responded that AT&T personnel were in the area to repair a severed cable.

**APPROVAL OF MINUTES**

Mr. Beck asked if there were any additions or corrections to the minutes of the regular Board meeting held on January 26, 2010. There were three changes. **David Beck moved that the draft of the minutes of the regular Board of Directors meeting held on January 26, 2010, be approved as amended. Judy Barnes seconded the motion, and it passed unanimously.**

**TREASURER'S REPORT**

Ms. Latson delivered the Treasurer's Report as follows:

For the first month of 2010, the Association reported \$408,000.00 in total revenue. Revenues were slightly under budget by \$7,000.00, which was primarily attributable to lower garage revenue.

Operating expenses were \$427,000.00, and were over budget by \$51,000.00 primarily because of utility costs. However, the January financial statements included some utility costs that were incurred in 2009. Accordingly, the January utility costs could be overstated by an estimated \$24,000.00 to \$42,000.00.

As a result, the Association generated revenues over expenses before capital reserve contributions of negative \$19,000.00, which was \$58,000.00 over budget. After the provision for capital reserves of \$83,000.00, the Association generated an operating deficit of expenses over revenues of \$102,000.00.

At January 31, 2010, the operating reserve stood at a deficit of \$82,000.00. The Capital Reserve fund stood at \$5,435,000.00.

The Finance Committee will hold its first meeting of the year on Thursday, February 25, to discuss the Committee's goals and recap where we are on a number of objectives. We are still waiting for cash outflow timelines from the contractors to understand the timing of the direct charge, but our best guess is that the charge will come at the end of May 2010. In the meantime, we have asked the banks to refresh their proposals to reflect some of the updated data that we have on the project costs and from the fall 2009 unit owner survey results. We expect to receive the proposals by the end of this week. While we sort through the bank proposals for Association financing, we hope to also schedule a banker night to allow unit owners to explore their own direct financing through a mortgage, equity line of credit or other means. We are targeting the banker night for mid-March.

Mr. Beck asked about using the \$177,000.00 allocated to operating expenses instead of to the Capital Reserve fund. Ms. Latson explained that this amount is budgeted to be added to the operating fund over time, and that the Finance Committee has been considering the best way to handle this amount and will also seek advice from the Association's auditors.

### **PRESENTATION/DISCUSSION OF THE COST ALLOCATION AUDIT**

Mr. Hickling reminded those present that last year the Board authorized Picker and Associates, the Association's auditors, to conduct a study going back to 2000 and continuing through the end of 2008 of the way various costs are allocated between James House and Kilmer House. He stated that the Board has reviewed the results of the study and is united in its effort to understand the data and use it to make the best decisions for the Association. Mr. Hickling then presented a series of PowerPoint slides covering the following:

- Purpose of Audit. Mr. Hickling stated that the audit was intended to provide factual information to the Board and unit owners about the respective building costs, to identify appropriate allocation methods when costs were not specifically attributed, and to identify the specific costs of operating and maintaining each building.
- Money In (Association Total Revenue = \$4,864,038 in 2008): Assessments 86%, Garage 9%, Other Fees 5%
- Money Out – Three areas (\$4,864,038 in 2008): Operations 68%, Capital Reserve 24%, payments to HOA 8%
- Operating Funds Characteristics
- Money Out (Operating Expenses – \$3,746,575): Maintenance, Recreation, Repairs, Administration, Operating Expenses, Utilities, Payroll
- Money Out by Category by Building – Operating Expenses

- Money Out by Building
- Money Out Data Source
- Capital Reserve Funds Characteristics
- Money into Capital Fund – 2000-2008 \$9,905,542. Total In: Assessments 82.4%, Operating Transfers 11.4%, Interest Earned on Fund 6.2%
- Money In – Capital (by source)
- Capital Fund Balances 2000-2008
- Capital: Kilmer – Kilmer Money In, Kilmer Money Benefit
- Capital: James – James Money In, James Money Benefit
- Capital: 2000-2008 by Building
- Projected Expenses 15 Years (2000-2015)
- Projected Expenses 30 Years (2000-2030)
- Next Steps. Mr. Hickling emphasized that the Board is still in the process of assimilating and discussing how the audit data may best be used to improve future decision making, that the Board feels it is relevant to maintain this type of budget breakdown in the future, that the Board wishes to determine owners' interest in this information and to develop an appropriate communication plan, and that the Board is unanimously committed to using the information from the audit to optimize the benefits to the entire Association going forward.

Board members were invited to make comments on the presentation. Mr. Beck noted that, contrary to an opinion held by some in the Association, the study shows that neither James House nor Kilmer House has been "short-changed." Ms. Barnes commented that the study was valuable in the factual data that it provided and was worth the expense of engaging the auditors to perform it, and that expenses may now be allocated as a matter of routine; she added that the Board will now be able to make decisions based on facts rather than conjecture. Mr. Meyers stated that the Board can use the audit information as a good management and budgeting tool. Mr. Beck added that in his opinion the cost allocation study alone would not be used as a basis to reduce the services to Kilmer.

Mr. Hickling then invited questions from the audience.

A unit owner asked what type of decisions will be affected by the study. Mr. Hickling responded that there will be no sudden changes in Board direction but rather that the Board will be able to determine if the Association is getting full value for the money it spends, where the money goes, and how to make expenditures more efficient and effective.

A unit owner asked whether the information from the audit was always available. Mr. Hickling replied that only totals were available, not the detailed breakdown of allocations, and Ms. Barnes added that the Board can keep the information in mind as it deals with budget matters, to help determine budget items that may need to be changed.

A unit owner asked what is meant by "recreation" in the operating budget. Ms. Latson stated that this item consists mostly of the cable service expense.

A unit owner asked if the Board has undertaken any qualitative research on the subject of expenditures and allocations, such as inspections of the buildings. Mr. Hickling, Mr. Beck and Ms. Barnes responded that while the Board does so in an informal way and makes every effort to observe conditions and situations, the Property Manager is largely responsible for such investigation.

A unit owner commented that Mr. Vicens visits both buildings from early morning on. She further commented that the lawsuit by Kilmer against James was an unfortunate situation, and asked whether, now that it has been determined that unit owners are responsible for limited common elements, the

allocation audit will affect future capital expenditures. Ms. Latson responded that while the relative proportions of allocations of James and to Kilmer will not change, the Board must try to determine a way to fund reserves for payments for repairs to limited common elements equitably in the future to avoid repeated direct charges.

Mr. Hickling stressed that the allocation study report as it now stands is a draft, that Picker and Associates will be making some minor adjustments to it, and that it will not be published on the Association's Web site until it is in its final form, which should be fairly soon. Ms. Andrews added that Picker and Associates will make changes based on results of the Board's working sessions on the allocation study report. A unit owner commented on how the report should appear on the Web site.

### **POSTING OF MEETINGS**

Mr. Meyers stated that all meeting dates, as they are known for any given month, should be posted on the first day of the month. Mr. Beck noted that the Board meeting dates for the entire year were approved by the Board and posted on the Web site, and that Diana Cardenas, the Management Office Administrative Assistant, has made every effort to post meeting dates and times as soon as she is informed of them. Ms. Barnes added that all Board meeting dates are also posted on Channel 195. Discussion ensued, after which Mr. Hickling directed that a list of all the Board meetings for the year be posted. Ms. Latson added that the committee meeting postings should be updated as necessary, and Mr. Meyers suggested highlighting the updates using different colors.

### **REAL ESTATE TAX APPEAL**

Mr. Hickling explained that the Association has retained an attorney to examine and appeal the current valuation of the James/Kilmer property according to the 2009 Triennial Reassessment, and that the attorney will be paid on a contingent basis in the form of a percentage of the estimated tax savings. Mr. Meyers asked Mr. Werth whether every unit owner would get the same percentage reduction in taxes. Mr. Werth responded that the appeal is based on the valuation of the property as a whole, and that if the valuation has increased only a small amount since the last valuation, there will be no reason to appeal. He added that if the valuation is reduced, the attorney will be paid 15% of the resulting estimated tax savings. Ms. Latson added that this payment would be passed on to individual unit owners. Discussion ensued about past appeals and tax savings, and at what stage the appeal process is now. **Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:**

**BE IT RESOLVED, that the Board ratify its approval of the retention of attorney Robert S. Vihon of the law firm of Worsek & Vihon LLP to appeal the Association's 2009 property valuation, and to compensate Worsek & Vihon LLP in the amount of fifteen percent of any resulting estimated reduction in property taxes. The motion passed unanimously.**

### **COMMITTEE REPORTS**

#### **Garage Committee**

Ms. Andrews reported on her productive meeting with Mr. Vicens and Eddie Main, who manages the garage. She stated that the discussion included ideas for generating revenue and concerns about the garage structure, specifically with regard to creating a single list of all structural problems in the garage.

Mr. Beck noted that HOA is responsible for some areas of the garage; Ms. Andrews and Mr. Hickling agreed that a single list is a good idea and that it can be annotated with information as to whose responsibility each item is. Mr. Beck asked if Angus Shorey, the former Garage Committee chair, is still involved on the Committee and Ms. Andrews replied that she communicates with him. In response to comments from Mr. McNamara, Ms. Latson stated that garage net income contributes to lower assessments, and that the Association deals with all garage matters that are not the responsibility of HOA. Ms. Andrews stated that the garage's aged trial balances, which show delinquencies, and its item rate stratification report will in the future be included in the financial materials distributed to Board members, and she then addressed the matter of delinquencies, stating that Mr. Main spends too much of his time attempting to collect overdue garage fees. Discussion ensued about delinquencies and how to handle them. The consensus was that Mr. Main should follow policy in reporting delinquencies to Management. Ms. Andrews stated that the Committee will develop a rate structure for bulk parking arrangements.

#### **Infrastructure Committee**

Mr. Hickling reported that the Committee has not met since the last Board meeting, but that Paulette Demers has been hired as the Association Project Coordinator for the Windows Replacement Project, at this point on an as-needed, per diem basis.

#### **Web Site Committee**

Mr. Hickling reported that Ron Miller inquired as to whether the directors would want their photographs to appear on the Association's Web site, and that arrangements can be made for directors to have their pictures taken for the Web site if they so desire.

#### **Window Design Subcommittee**

Ms. Slattery reported she has met with Mr. Vicens and with Karen Flannery, who is assisting in creating a survey to be distributed to James House unit owners to register their opinions on the final four window design options, which are expected to be chosen by the end of the week and which will include the frame and panel colors, the glass tint, and the concrete and railing colors. She added that the Committee plans to display the four options on the south side of the lobby and in the north room of the Penthouse for owners to view and indicate their preferences. Discussion ensued about deadlines, about allowing time for unit owners to consider their choices and for the Committee to tally the surveys, and about the display locations and unit owner reactions to them.

#### **Communications Committee**

Ms. Barnes reported that efforts are being made to produce a newsletter every two months and that the next newsletter is expected to be published in April. She stated that she has discussed with Mr. Hickling the possibility of producing "news blasts" on various key topics in the interim between newsletters. A brief discussion ensued.

### **MANAGEMENT REPORT**

Mr. Vicens reported on the following:

- Last week Nichelle Wilson hosted a session for the door staff at which an outside speaker spoke about customer service skills and conflict resolution in the work place.
- A new Federal law due to go into effect on April 28 will require that any remodeling contractors working on buildings erected before 1978 possess a certification for safe lead practices.
- The name of the Draper and Kramer division dealing with condominiums has been changed to DK Condo, and new plaques or decals displaying the new name will be affixed to the property shortly, as required by City of Chicago ordinance.

- Thermostats have been installed on all the heating units in the garage and have been set to 50 degrees and enclosed with tamper-proof covers.
- Sample handles have been installed on the TRACO door in the north Penthouse room so unit owners can inspect them.
- The owner of unit #915 has offered the use of her unit for the mock-up window samples.
- The first scaffold drop for the concrete façade project is scheduled for April 1; the drop plan is being reformatted into a schedule including unit numbers and work dates for unit owner information.

Mr. Beck asked about the new doorman uniforms. Mr. Vicens stated that he expects delivery shortly and that the delay was caused by problems with reproducing the Association's logo.

In response to a question from Mr. Hickling, Mr. Vicens stated that the façade project has been planned so as not to interfere with the pool season.

Mr. Beck mentioned unit owners who purchase elaborate plant arrangements for their balconies and suggested that unit owners be warned well in advance about the façade project, because it will include work on the balconies. Ms. Latson asked what should be done with propane tanks for grills when balconies are being worked on. Mr. Hickling stated that he and Mr. Vicens will discuss the issue and devise a solution.

Mr. Vicens stated that the Penthouse will be made available to unit owners during both the façade project and the Window Replacement Project so they may escape noise and other discomforts during the construction; he added that the main room is equipped with WiFi for computer use, and that card tables have been ordered.

### **ACTION OR DISCUSSION ITEMS**

#### **Approval of Distribution of a Proposed Rule for a Direct Voting System and Secret Ballots**

Ms. Barnes briefly explained the Illinois Condominium Property Act's rules for a direct voting system, including the option to use secret ballots. **Upon motion duly made by Judy Barnes and seconded by David Beck, the following resolution was made:**

**BE IT RESOLVED, that the Board of Directors approve the distribution of a proposed rule to adopt (1) a "Direct Voting System" as authorized by Section 18 (b) (9) of the Illinois Condominium Property Act, and (2) a "Secret Direct-Vote Ballot" as authorized by Section 18 (b) (10) of the Illinois Condominium Property Act. After discussion, the motion passed, with Tom Meyers opposed.**

During the discussion that preceded the vote, Mr. Beck explained that the purpose of establishing a direct voting system for the Association is to avoid the pitfalls of using proxies, such as a few people controlling an election, and annoying visits and door drops preceding elections; he added that all of the other condominium associations in Sandburg Village use this system with no problems. Mr. Hickling stated that the concept of a secret ballot must be presented to and discussed with unit owners by means of a special meeting; Mr. Beck added that a unit owner override vote is permitted by the Illinois Condominium Property Act in this situation. Further discussion ensued about how a direct voting system would work, about the distinction between proxy voting and simply helping a voter deliver his or her ballot, about whether a secret ballot is actually secret, and about how unit owners can deliver their ballots. Mr. Beck emphasized that the resolution in question dealt only with distribution of a proposed rule.

After the vote, Mr. Beck asked that a unit owner meeting date be set and unit owners be informed appropriately, explaining the legal requirements for changing Association rules that must be met.

**Adoption of the Community Associations Institute (CAI) Oath for Board Members**

Upon motion duly made by Frances Andrews and seconded by David Beck, the following resolution was made:

**BE IT RESOLVED, that the Board of Directors approve the adoption of a James/Kilmer Board Member Oath as follows:**

I, \_\_\_\_\_ [insert name], a duly elected or appointed director of the James/Kilmer Condominium Association, do solemnly swear or do hereby affirm as follows:

- I will attend as many meetings as possible and prepare in advance by reviewing all materials.
- I understand that if I miss three consecutive meetings without good cause I may be censured upon a two-thirds consent vote of the remaining Board members.
- I will avoid self-dealing and I will place the Association's interests above my own personal agenda.
- I will cooperate with the other directors and follow the rules of decorum and parliamentary procedure for every meeting and I will act in a courteous and civil manner toward my fellow directors, homeowners, employees and contractors of the Association.
- I will not divulge Association confidences or sensitive information to non-directors.
- I will not attempt to micro-manage or interfere with the management of the Association or the performance of Association contractors.
- I will not act in any manner which I know or believe to exceed the scope of my authority as a director or officer and will otherwise act at all times in the best interests of the Association.
- I understand that no officer or director has any authority to act independently of the Board and that the authority of each Board Member to act on Association matters is a direct result of the by-laws and/or approval of the Board.
- I understand that I am a director of a not-for-profit corporation and I will not directly or independently intervene in any homeowner disputes.
- I shall at all times be aware of and obey the rules of the Association, even if I disagree with them, and shall remain current in the payment of fees and expenses charged by the Association.
- I will not make public statements regarding Association matters without the express authority of the Board.
- I recognize that I am a fiduciary on behalf of all owners and I will attempt to use sound business judgment when deliberating and voting on decisions made by the Board.
- I will be sensitive to individual differences, respectful of dissenting opinions and cooperative in implementing decisions of the Board enacted pursuant to the by-laws.

- **I will at all times make a full disclosure of any potential conflict of interest, refrain or abstain from voting on any issues from which I may receive direct economic benefit and at all times avoid even the appearance of impropriety.**



- **In the event that I cannot faithfully fulfill my duties as a director or officer, I shall submit my resignation from the Board. In the event the Board determines that I have violated any provisions of my oath of office, I understand that I can be censured or removed from my duties as an officer of the Association upon a two-thirds consent vote of the remaining Board members.**

**After discussion, Duane Hickling requested a roll-call vote, the results of which were as follows: Betty Latson–Yes, Judy Barnes–Yes, Nancy Slattery–Yes, Frances Andrews–Yes, David Beck–Yes, Tom Meyers–No, Dan McNamara–Yes. The motion passed.**

During the discussion that preceded the roll-call vote, Mr. Meyers objected that the oath is nonbinding, will not work with the James/Kilmer Board of Directors and will not alter anyone's behavior. The other Board members agreed that it is an industry standard and should be adopted if for no other reason than to serve as an ideal to which to aspire. Discussion continued about past Board behavior and hoped-for future Board behavior. After the vote, it was agreed that Board members would return their signed oaths to Mr. Vicens within a week of receiving the printed copy of the oath.

**Award a Contract for the Installation of 13 Additional Security Cameras**

**Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:**

**BE IT RESOLVED, that the Board of Directors approve awarding a contract to IBT Video Systems, Inc. to furnish and install 13 additional security surveillance cameras, in the amount of \$15,326.00, in accordance with its proposal dated November 30, 2009. After discussion, the motion passed unanimously.**

Before the vote was taken, in response to a question from Ms. Latson, Mr. Vicens listed the areas where the new cameras will be installed. A brief discussion ensued about placement of the cameras and how the video images are recorded and monitored.

**Authorize Klein and Hoffman to Prepare Construction Documents for the Kilmer House Façade Work**

**Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:**

**BE IT RESOLVED, that the Board of Directors approve engaging Klein and Hoffman, Inc. to prepare construction documents, including printing, for the façade repairs at Kilmer House in accordance with its "Kilmer House Inspection and Report" dated February 10, 2010, for a fee of \$13,000.00, in accordance with its Professional Services Proposal dated September 28, 2009. After discussion, the motion passed unanimously.**

During the discussion preceding the vote, Mr. Meyers asked about soliciting other engineering firms to bid on the Association's work; Mr. Hickling and Mr. Beck listed other engineering firms engaged by the Association and the reason that Klein and Hoffman is being engaged for the Window Replacement Project and the façade projects.

**Ratification of Authorization to Enter Into a Parking Agreement with the Latin School**

After a brief explanation by Ms. Andrews, upon motion duly made by Frances Andrews and seconded by Judy Barnes, the following resolution was made:

**BE IT RESOLVED**, that the Board of Directors ratify the previous approval by Board poll to enter into a two-year agreement with the Latin School to consolidate parking 50 cars in the James/Kilmer garage at a rate of \$80.00 per vehicle per month, and additionally to establish a rate of \$10.00 per vehicle per day for parents assisting at the school to park approximately five cars per day. After discussion, the motion passed unanimously.

During the discussion preceding the vote, Mr. Meyers raised the issue of charging a locked-in price to unit owners to park in the garage. Ms. Andrews noted that the price to the Latin School parkers must be competitive or they will park elsewhere, and that with parking space available during the day, it is important to take this opportunity to generate additional garage revenue. In response to a question from Mr. McNamara, Ms. Andrews explained that some personnel from the Latin School will be parking in the garage even during the summer months.

**Approval of Remodeling Request**

Upon motion duly made by Judy Barnes and seconded by David Beck, the following resolution was made:

**BE IT RESOLVED**, that the Board of Directors approve the remodeling of Units #1509, #1511, #2211, #2604 and #4002, according to the requests submitted by the unit owners that have been reviewed and found to be in compliance with the Association's rules, regulations and conditions, the remodeling to be subject to ongoing inspection by the Association's Chief Engineer. The motion passed unanimously.

**Barring a Unit Owner from Entering the Management Office**

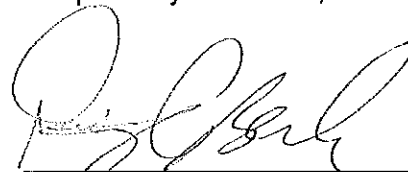
Upon motion duly made by David Beck and seconded by Tom Meyers, the following resolution was made:

**BE IT RESOLVED**, that, pursuant to discussion in Executive Session, the Board of Directors bar a specific unit owner from entering the Management Office. The motion passed unanimously.

**ADJOURNMENT**

There being no further business to come before the Board, upon motion duly made by Judy Barnes and seconded by David Beck, the meeting was adjourned at 9:30 p.m.

Respectfully submitted,



David Beck, Secretary