

Finance Committee

Meeting Minutes

March 18 2019

Dave Airel

Meeting Minutes

1. Meeting Attendees:
 - a. Dave Airel (Chair)
 - b. Tom Beery
 - c. Bill Wood
 - d. Paul Zeitlin
2. Absent:
 - a. Art Ebersberger
3. Meeting was called to order at 7:00pm.
4. The minutes from February 18 were approved.
5. 3-Year budget spending data
 - a. Tabled to March meeting. Paul will do an initial review and lead discussion.
6. 2019 Budget Process
 - a. Discussion centered around developing a budget process that provides:
 - i. Early start with Sentry
 - ii. Frequent check-ins with committee
 - iii. Detailed, timely recommendation to board
 - iv. Transparent presentation to homeowners
 - v. Accelerated budget approval (at the Nov 2019 membership meeting)
 - b. Paul Zeitlin prepared a strawman outline & timeline: See Appendix A
7. Reserve Study
 - a. Discussion centered around current issues with our existing study
 - i. Not funding to recommended levels
 - ii. Exclusions
 - iii. Other considerations for changing circumstances
 - b. The committee wants to make recommendations to the board this spring to update the study in 2020
 - i. Tom Beery prepared a strawman outline & timeline: See Appendix B
8. Financial Reporting Review by Finance Committee
 - a. Discussion centered around developing a consistent process to review spending to budget with presentation of findings to board. The committee agreed on:
 - i. Quarterly review
 - ii. Budget Comparison Report to be reviewed vs. budget and vs. prior year (to compare YonY)

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- iii. Written report to be delivered to the board and delivered to the membership at the first open meeting after quarter-end.
 1. Bill Wood will develop a report format strawman to review at next month's committee meeting prior to presentation to the board.

9. Actions

- a. November HOA meeting has to be a general meeting so we can vote on the budget (Dave)
- b. Copy of 2016-2018 tax returns to committee (Dave)
- c. Copy of 2016-2018 audit reports to committee (Dave)
- d. Copy of auditor engagement letter to committee (Dave)
- e. Copy of auditor process to committee (Dave)
- f. Bill to do Feb-ending budget review & create strawman report for board (Bill)
- g. Todd - 2019 budget shows 19 MPDU lots – what are they? (Dave)
- h. Todd – can Sentry AP issue payment notifications (advice only) instead of having board approve certain payments? (ie payments over \$xx?) (Dave)
- i. Todd – does Sentry ensure sellers fully pay homeowner dues at/before closing? Does the board get notified of missed payments? (Dave)

10. Next meeting agenda:

- a. Review and approve budget process & timeline for presentation to BOD
- b. Review and approve reserve study recommendation for presentation to BOD
- c. Review and approve quarterly financial review template for presentation to BOD
- d. Review 3-year spending baseline data and agree on critical budget items
- e. Other items as appropriate

11. The meeting adjourned at 8:00pm.

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APPENDIX A

Budget Process & Outline Strawman

P Zeitlin Mar 18 2019

- Apr 15 2019 - Discuss analysis of 3-year data and initial recommendations (Develop output straw man of budget and assumptions)
- May 20 2019 - Finalize Recommendations and submit to Sentry (review analysis and submit draft assumptions/asks to Sentry)
- Jun 17 2019 - Meet with Sentry/Todd and discuss his response and timeline for building budget (in-person discussion based on our assumptions/asks submitted prior)
- Jul 15 2019 - Provide Update to Board and touch-base with Sentry (ensure actively working, possible draft available) Also begin drafting guidance to Board on budget execution/cost avoidance strategies (e.g. bidding competitively and other outcomes of our reviews)
- Aug 19 2019 - Draft Budget received from Sentry for review by Finance Committee (changes/revisions over next 4 weeks)
- Sep 16 2019 - Draft Budget Received/Completed to Finance Committee and sent to Board after meeting
- Oct 21 2019 – Present budget recommendations to board at Board Workshop
- Nov 18 2019 – Budget vote by Board

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APPENDIX B

Reserve Study

Recommendation Strawman to Board

T Beery Mar 18 2019

The Finance Committee has reviewed the Replacement Reserve Study prepared in August, 2017, and has identified several items that will require Board attention in 2019 for the 2020 budget. Some of the reasons for requiring this attention follow:

1. The Study was written prior to completion of repairs or improvements that are major subjects of the Study, ie bulkhead, alleys and buildings.
2. Additional HOA responsibilities were added, ie brick sidewalks.
3. Numerous items were intentionally omitted from the Study, because they may have a useful life beyond the 30 year scope of the Study, ie building foundations, walls, electrical systems, fire suppression system, pond piping, pool decks and structure, etc. As the Study says, " if replacement or repair is required, it would be funded from a future source."
4. The Study recommends escalating contributions to Reserves from members' dues, which are not aligned with the remaining lots to be sold.
5. The Study recommended additional contributions from members' dues from 2017 and 2018 to catch up with earlier shortfalls. They were not fully funded.
6. The Study does not identify a method to account for reserves on new capital improvements.
7. The Study does recommend that a continuing update be initiated to adjust for changes in condition and experience over time.

For these reasons, the Finance Committee recommends that the Board approve the funding of a new Replacement Reserve Study in 2020, to address these issues. The Finance Committee would like to interview the current contractor, Reserve Advisors and at least one other professional firm, to obtain bids for the continuation or a new study.

The Board should understand that our financial condition is NOT threatened by these circumstances. Modest additions to future budgets will correct these shortfalls. However, if not addressed, this could lead to significant issues in the future.

Thank you in advance for your consideration.