

MINUTES

DATE MAR 7, 2018

TIME 7:00PM

LOCATION DMR

MEETING CALLED BY	Deb Stearn
TYPE OF MEETING	Financial Management Committee
NOTE TAKER	Deb Stearn
MEMBERS PRESENT	Kari Wallace, Shashi Koduru, Lydia Ramos, Lorene Sarne and Deb Stearn.
	Also present the GM Frances-Marie Puente, Zalco Controller Bob Porco and Zalco Financial
	Manager Heather Spears
MEMBERS ABSENT	n/a

Agenda topic: Agenda Approval/Changes

MOTION MADE BY LORENE

MOTION 2ND BY KARI

MOTION	Approve the Agenda	
	Result of vote on motion: the motion was unanimously approved	
DISCUSSION		
	ACTION ITEMS	PERSON RESPONSIBLE
	n/a	DEADLINE

Agenda topic: Approve minutes from the 1/3/2018 meeting

MOTION MADE BY SHASHI

MOTION 2ND BY LORENE

MOTION	Approve the minutes of the January 3, 2018 meeting	
	Result of vote on motion: the motion was unanimously approved.	
DISCUSSION	none	
	ACTION ITEMS	PERSON RESPONSIBLE
	Circulate Approved Jan 3 Minutes and Draft Mar 7 Minutes	DEADLINE
	Deb	For inclusion in Board package for next mtg

Agenda topic: 2017 Year-End Financials

MOTION MADE BY N/A

MOTION 2ND BY N/A

MOTION	None	
Result of vote on motion: N/A		
DISCUSSION	Year-End metrics:	
	<ul style="list-style-type: none"> Delinquency rate: 2.7%, within industry standards of less than 3%. Operating Excess/Deficit is an Excess of \$56,906.42 for the year The available Replacement Reserves at year-end are \$1,391,573 	
Highlights of the discussion with Bob and Heather:		
The positives: overall, the 2017 financials are improved from 2016 (pending audit confirmation)		
	<ul style="list-style-type: none"> Last year, the recommendation was to develop a long term plan for cash reserves and deferred maintenance The 2017 Operating Excess will help reduce the negative Unappropriated Members Equity Operating Expenses overall were just under 1% under budget, so the budget process improved in total. Some 	
line items were under budget and some were over budget (see below)		
	<ul style="list-style-type: none"> Reserve contributions were consistently made each month and we contribute more than we take out \$960,000 from the Reserves funded Capital Improvements (façade/balcony and retaining wall, big items) Contributed \$1,328,363 to Reserves, so did not use \$400K The Popular loan balance is \$1,692,645 and loan payments were consistently paid each month 	
Areas to improve in 2018		
	<ul style="list-style-type: none"> Better manage the individual Operating Expenses line items, i.e. Utilities. Repairs & Maintenance came in under budget which made up for the overage in Utilities for the year Although the delinquency rate is just less than the industry standard of 3%, it has room for improvement. 	
There are a handful of unit Owners who are consistently delinquent. Communities who are aggressive and vigilant in the collection of delinquencies are more successful in keeping delinquency rates low. Word spreads that delinquencies are not tolerated. Therefore, Boards need to follow-up with their attorneys on the collection process.		
	<ul style="list-style-type: none"> The 2017 audit will be done this spring. Dan is not available for evening meetings this season. The Committee will review the audit and forward any questions via Bob & Frances 	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Forward audit questions to Dan via Bob & Frances	FMC	TBD

Agenda topic: January 2018 Financials

MOTION MADE BY N/A

MOTION 2ND BY N/A

MOTION		
Result of vote on motion: N/A		
DISCUSSION	Monthly metics:	
	<ul style="list-style-type: none"> Delinquency rate: 2.7%, within industry standards of less than 3%. Operating Excess/Deficit is a deficit of (\$60,953.66) The available Replacement Reserves are \$1,417,384 	
Highlights of the discussion with Bob and Heather:		
	<ul style="list-style-type: none"> Utilities are budgeted higher in 2018 per the 2017 actuals A discussion took place on accruals, specifically on Utilities. Utility logs can be pulled for any period of time to use during the budgeting process since seasonality factors into usage & cost. The 2018 Utility Budget does not appear to have a seasonal spread. This will be adjusted. There is a cash flow year to date deficit of \$60,954. This is attributable to 2 factors: <ol style="list-style-type: none"> A Capital expense, Accounting will determine if there was a Reserve transfer Overage in Utilities, water and gas 	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Determine if a Reserve transfer of \$15,598 was made for Capital expenditures	Bob	March Financials
Learn how to pull the utility logs	Bob to show Frances	March Financials
Doug will revise the budgeted Utility spread for 2018, per the logs	Bob & Heather to speak w/Doug	March Financials

Agenda topic: Potential New Loan

MOTION MADE BY N/A

MOTION 2ND N/A

MOTION		
Result of vote on motion: N/A		
DISCUSSION	The BoD is considering securing a significant loan to accelerate the façade & balcony project and fast track several other infrastructure and curb appeal updates. A proposal has been received by JLL, which provides mortgage broker and construction management services. The BoD is seeking proposals from other firms.	
Highlights of the discussion with Bob and Heather:		
	<ul style="list-style-type: none"> Banks are giving loans to condominiums and some Zalco managed properties have had good experiences Banks prefer to give condominium loans when a mortgage broker/construction manager, such as JLL is involved. 	

These firms provide oversight throughout the process and are a cost of doing business.

- Kenwood, a Zalco managed property, took out a significant loan via JLL from Union bank and their experience

was described as very good and JLL is well regarded in the industry. The lending institution approved all cash draws, both from the loan and normal Reserve Fund.

- A discussion took place regarding how to determine the loan amount, debt service and contributions to Reserves.

The 2018 budget includes \$288,000 for the existing debt service and \$755,000 for the façade and balcony project, both of which would be paid by the potential new loan and therefore removed from the 2019 budget. Those 2 line items total \$1,043,000 which could be used for the new debt service. The 2018 budget's Transfer to Reserves is \$1,550,000, a \$507,000 surplus. However, it needs to be determined if these numbers are adequate for a debt service to obtain the needed loan amount and what the Reserve contribution should be based upon the project list and how it affects the recent Reserve Study.

- Once a firm is engaged, the recommendation is to hold several town halls for Owners with the Construction

Manager answering questions. The town halls should address the projects, timeframe and costs involved – especially if Assessments will be increased to pay the debt service and/or Reserve contribution.

- A key to success is for the BoD and Management to be very comfortable in the choice of Construction Manager.

- Obtaining a loan typically takes 3 to 6 months or longer, between contracting with a Mortgage Broker/

Construction Manager firm and the loan close. When drafting the 2019 budget there is no need to have 2 versions of the budget due to timing of the loan. Assessments can be the same, regardless of the timing, as transfers will either go to Reserves or divided between Reserves and debt service when the loan occurs.

ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Contact other Mortgage Broker/Construction Manager firms for bids	Zalco Senior staff	March BoD meeting
Determine if the Reserve Specialist or Construction Manager can assist with numbers on reserve contributions, loan amount and debt service	GM	March BoD meeting

Agenda topic: Utility Data Year over Year Trend Analysis

MOTION MADE BY N/A

MOTION 2ND BY N/A

MOTION	none	
Result of vote on motion: n/a		
DISCUSSION	The office manager, Reena, emailed 3 workbooks of 2016/2017 utility data. These will be reviewed and discussed at the next Committee meeting.	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
Review utility data on a year over year trend	Lydia	Next meeting

Agenda topic: Landscaping Budget

MOTION MADE BY N/A

MOTION 2ND BY N/A

MOTION	none	
Result of vote on motion: n/a		
DISCUSSION	The 2018 landscaping work will not exceed the budgeted amount of \$30K. In order to complete the master landscape plan it is anticipated the budget will remain at that level for the next few years.	
ACTION ITEMS	PERSON RESPONSIBLE	DEADLINE
n/a		

Next Meeting: Wednesday April 4 at 7:00 pm

General Notes: Open Forum

- One Board members and 2 other Owners attended
- Suggestion for Zalco senior staff, instead of the busy GM, to contact other mortgage broker services with regard to a potential significant loan in order to have three bids to choose from (JLL and 2 other firms)
- Clarified for purposes of the loan discussion references to JLL were generic for a mortgage broker/construction manager