

Minutes – Finance Committee Meeting

August 29, 2022, 4:30 pm

Present at last meeting: Aubrey Lara (m), Susan Timmer (m), Will Vizzard (m), Tara Zimmerman (m), Mary Gray (m), Jackie Grebitus (Board Liaison), Bettsi Ledesma, Manager, Bob Browning (Browning Reserve Group); Observers: John Baker, Margaret Flynn, Christina George, Cheryl Nelson, Peter Pelkofer, Ashley Tangeraas

- 1) Approval of July minutes – Approved via email
- 2) Old business:
 - a. Follow-ups and updates on Board actions- No updates
- 3) New business:
 - a. Browning presentation of draft reserve budget- According to Mr. Browning, the Browning Reserve Group updated the reserve study last year with a site visit, examining all components available and accessible to him. He noted that this update was a budget exercise and as such it was important to look at all accessible common elements. He showed the committee the two parts of the draft reserve budget: the funding plan and the expense projections, explaining how we determine which components go into the reserve budget and which go into the operations budget. According to the Davis-Stirling Act, a component must meet a 4-point test in order to be included in the reserve budget: 1) it must be the HOA's responsibility; 2) it must be above a threshold minimum cost; 3) it must have a useful life; and 4) it must have a remaining life. There are entries for in the reserve study for every component.

In the draft budget Browning presented, he described the major expenses as painting, siding work, fencing. He noted that the more costly items are at the top of the budget for ease of review. He stated that the beginning balance is expected to be \$10,081,734 and that in order to meet our threshold funding minimum of \$5 million over the next 40 years, each unit will need to contribute \$331.17 per month into the reserves. This represents a 4.1% increase over our per month contribution last year. In calculating this budget, he examined all expenses and updated them based on real costs where needed, otherwise increased them by 4%.

Mr. Browning responded to the following questions about the reserve budget:
 - Ms. Gray asked whether there were any new categories. Browning said he did not think so.
 - Ms. Gray asked why the roof life was stated as 30 years when they have a 50-year warranty. Browning said that it was more prudent to estimate a 30-year life and that because they examine the roofs every three years, they can make adjustments to the expense projections.

- Ms. Gray asked about the timing of the painting and siding cycles now that we have a paint product that is more durable. Mr. Browning needed to review information on the paint and siding but that currently they were on a 6-year cycle.
 - Mr. Vizzard stated that he believed we were on an 8-year cycle. Discussion about when and how the cycle length was changed ensued.
 - Ms. Gray asked what happens when something goes way over its budget allocation, such as with the painting costs? Mr. Browning stated that the reserve budget is meant to be a road map for what we have to do to keep the HOA in good shape. If costs double, you have to pay them. If the HOA is concerned that a cost might put the fund at risk, the reserve analyst can do a study to test its strength. With landscaping, sometimes you can defer the work, but often you have to move forward.
 - Ms. Zimmerman and Mr. Vizzard commented about Browning's ability to test to see if there would be an effect on the reserve funds but that often these expenses can be absorbed by long term nature of reserve budgeting.
- b. Operations budget issue- Timmer stated that Ms. Ledesma is working on a draft budget and that the prospective change water billing is causing problems with budgeting. Based on recent reports, water costs are likely to run approximately \$70/month per unit, but will coincide with a reduction of each unit's city utility costs. These costs need to be part of next year's HOA dues. However, if the city does not start billing until March and/or does not synchronize the beginning of HOA billing and the removal of water costs on individual bills, we could have some problems.
- Mr. Vizzard asked if First Service could credit the water costs back to homeowners' accounts. He believed that would be easier than a refund. He further stated that he thought the Board should start explaining the situation to homeowners right now. Ms. Zimmerman agreed, adding that they should begin communicating about the increase in dues as a result of water billing right now.
- Mr. Vizzard made a motion to recommend to the board that they draft as soon as possible a procedure to address the possibility of double billing for water and to communicate with homeowners about the upcoming changes in monthly water billings, including the necessary increase in assessments and the offset by reductions in individuals' city utility billings. Ms. Zimmerman seconded the motion. The motion passed (via email).
- c. Review of July financials- Ms. Gray asked what the Finance Committee did with the numbers on the financials. Ms. Zimmerman explained that we look for inconsistencies, numbers that don't match up with expectations. We look at trajectories of costs and their meaning for the HOA.
- d. Review of Reserve tracker- Timmer stated that she appreciated the addition of the "Pending Expense" column on the Reserve Tracker. Mr. Vizzard stated that the column should be moved into the second set of columns, after "Year to Date

Expenses.” Ms. Ledesma said she would ask Mr. Dunifon to make the adjustment. Ms. Gray asked if the Board gets this information. Ms. Ledesma said that, yes, they did, and much more. Furthermore, every expense paid from the reserve fund is signed by two Board members, who ensure that the payments are appropriate and have been approved by the Board. She also stated that she did not receive the tracker when she was on the board and felt it would have been useful.

- e. Other business: Mr. Vizzard asked to look at the two proposals for installing solar panels on the clubhouse side-by-side. Furthermore, with new incentives for solar installation, both proposals should be updated.

4) Next meeting: September 26, 4:30 pm

5) Meeting adjourned: 5:55 pm