

**DEL MESA COMMUNITY HOMEOWNER'S ASSOCIATION
FINANCE COMMITTEE (FINCOM) MEETING Minutes
20 MAY 2020, 10:00am**

The first meeting of the newly appointed Del Mesa Community Homeowner's Association Finance Committee (FinCom) was called to order at 10:00am by chair and board member Nancy Jones. Other FinCom members present were Maryellen Eisenberg, Tom Mallett, Sandy McKeith, Marty Rubin, Lori Silver (via Zoom), and Mark Vanlerberghe. No committee member was absent. Other Board members Fran Farina and Ted Whitney were present. Staff members Richard Cox, Anthony Lombardi, and Victoria Contreras were present.

Call to order

As this was the first meeting of this committee, each member provided a brief description of their background for the committee. Nancy listed goals that she had as a newly elected member of the board of directors and, subsequently, as the treasurer.

The FinCom charter states that "the Committee shall elect one of its Members to serve as Secretary to keep the Minutes of its meetings." No one volunteered, so Nancy will keep minutes this time. We will still need a permanent secretary. She pointed out that members can "cause minutes to be kept" and not actually record these themselves. Richard will be asked if he can assign someone to this task.

Each member was to have been given a copy of the confidentiality agreement for this committee. Signed forms should be turned into Richard. Lori, Tom and Marty stated that they had not received a form; they will be given this.

Agenda Approval

Nancy noted that two items had been removed from the agenda originally sent to the committee. In the new one, distributed at the meeting, April financials were removed from the agenda, since Anthony was unable to get these in time for this meeting.

The other item removed was the review/approval of the draft revised charter. Members of the board of directors were interested in this topic. However, there was considerable discussion among board members and some on FinCom as to whether we could have this meeting without it being open to the general membership. Richard Cox had provided text that committee meetings do not need to be open. However, subsequent review of the Davis-Stirling Act (the portion of the California Civil Code that dictates how Common Interest Developments must govern themselves) found that if a quorum of board members is present at any meeting and items for discussion include items that may be brought before the board, that meeting becomes a board meeting for the purposes of determining that an agenda must be published and the meeting open to anyone who wishes to participate. We simply could not do that for this meeting. In fact, the board has not come up with an acceptable approach on how to do this for a general board meeting. So, that item was removed from our agenda; it will go back on as soon as we can conduct an open meeting.

Draft 19 Feb meeting minutes approval

A draft of the 19 Feb minutes was in the meeting packet. A motion to accept the minutes as submitted was made by Sandy McKeith, seconded by Tom Mallett, and passed by a unanimous vote of those who were present at that meeting.

General Manager/Finance Director report

The new, permanent General Manager, Richard Cox, the new Finance Director, Anthony Lombardi and our bookkeeper, Victoria Contreras, were introduced to the committee. Richard recognized Anthony and Victoria for their hard work in working with the auditors to get our 2019 Audit out, essentially on time.

Anthony presented the 2019 audit, included in the meeting packet. He stated that he was impressed with the audit firm and believes that having them familiar with us helped keep costs down. He asked that we consider the same firm next year. In response to a question as to their fee, Anthony replied that it was about \$10K below budget. He noted that reserves are now called the "replacement fund" in the auditor's report.

Lori asked Anthony to comment on deficiencies reported in the audit and what we're doing about them. He responded that all deficiencies in the 2019 report were corrected in the first week he arrived at Del Mesa.

Treasurer's report

For these first minutes of the new committee, explanation of the reviewed/reconciliated account information is provided. Davis-Stirling Act, Chapter 7 Finances, Article 1 Accounting, Section 5500 states that the board shall review, on a monthly basis, the following: current reconciliation of operating and reserve accounts; actual operating revenues and expenses compared to the current year's budget; the latest account statements prepared by the financial institutions where we have our operating and reserve accounts; income and expense statements for the operating and reserve accounts; the check register, monthly general ledger, and delinquency reports. Section 5501 allows that those requirements may be met by having the treasurer and one other board member review these documents, so long as the review is ratified at the next board meeting and is reflected in the board's minutes.

Mar reconciliations per Civil Code 5500/5501

On 10 March, Ted Whitney (as the other board member) and Nancy reviewed materials with Peggy Borchard, the financial staff member at the time. Current operating and reserve accounts; the latest account statements prepared by the financial institutions where we have our operating and reserve accounts; and delinquency reports were reviewed. On 7 May, Ted and Nancy reviewed these with Anthony. March P&L information is in the first quarter report, for actual operating revenues and expenses compared to the current year's budget and the income and expense statements for the operating and reserve accounts. Neither the check register nor the general ledger was reviewed for March.

Apr reconciliations per Civil Code 5500/5501

On 19 May, Ted and Nancy, with Anthony, reviewed/reconciled current operating and reserve accounts; the latest account statements prepared by the financial institutions where we have our operating and reserve accounts; the check register; monthly general ledger, and delinquency reports. Later that day they were sent the check register and monthly general ledger.

Actual operating revenues and expenses compared to the current year's budget and income and expense statements for the operating and reserve accounts will be in the April P&L report, due out momentarily.

First Quarter financials

Anthony presented the 1st Quarter balance sheet and P&L report, a revision of which was distributed in hard-copy form at the meeting and sent to the committee via email before the meeting.

Lori asked what impact the COVID-19 shutdown of the restaurant for seated dining has had. Anthony stated that there was not much impact at the bottom line. He is doing a detailed inventory on food and beverage items now and believes that there is very little waste at this time. He added that he was initially concerned over the decision to provide food service on Mondays and Tuesdays, but that costs have been reigned in and we're probably losing less now than before the shutdown and under prior management.

Maryellen asked where the PPP money was in this report. Anthony said that these funds were received in April and will show up in that report, in account 1045. It was emphasized that this is currently a loan and will be booked as a liability. Anthony noted that pay-back requirements seem to change frequently but, in the worst case, it's a 1% loan due in 2 years.

The \$300 expense in the Healthy Forest account was questioned. Anthony explained that this was a broker fee and stated that it could be renegotiated.

A quarterly report on the reserve fund was requested. Anthony agreed but said he'd wait for the Reserve Study report to come in.

Old Business

Reserve Study contract

The 19 Feb minutes in the FinCom meeting packet noted that the cost of the proposal by ARA (Applied Reserve Analysis) for a 3-year engagement for a Reserve Study was under the amount which Richard is currently authorized to accept without FinCom or Board approval and, as such, was not a FinCom topic. However, FinCom is interested in the study results.

Richard noted that the physical site review had been completed and that the draft is overdue. It is expected that the draft report goes to FinCom for recommendations to the board. The board needs to adopt the final plan.

Policy on Budget Surplus and Deficit

Also in those minutes was a proposal by the 2019 FinCom to develop a consistent policy concerning annual surpluses and deficits. Last year's FinCom continued the discussion to future meetings. This year's FinCom agreed that this is a really big deal and deserves significant discussion, perhaps even a special session of the committee or a subcommittee.

Inclusion of Reserve Fund accounting in Financial Statements

As was noted by Sandy at the Feb meeting, Davis-Stirling requires that our P&L statement include reserve accounts. This has been conveyed to Anthony, but too late to do this for the First Quarter 2020 financials. He will incorporate this in April and subsequent financials.

New Business

Property Insurance payment plan

As was described in the FinCom packet, our insurance broker sent us a renewal proposal for 2020 property insurance at an annual cost of \$422,403. A down payment of \$87,400.60 was due on 15 May to bind this bid. Along with this premium notice was a Commercial Premium Finance Agreement from a third party proposing financing the remainder of this fee in 10 monthly payments at a cost of a 7.75% annual interest rate.

Anthony produced an analysis of this financing plan that described a savings of \$12,013 over the year if DMC were to pay the premium in full, using funds we have available. The DMC Board decided to pay the \$87K down payment now and to have FinCom review the issue and recommend action to the board. The board would then decide whether to pay the full remaining premium. Anthony explained that we can pay the full unpaid amount due at any time without penalty, savings whatever interest payments were still due.

FinCom members asked if Anthony believed that our available cash could cover this full payment. He responded in the affirmative, even without PPP money. The number of owners delinquent in their assessment payments was discussed. Now 4 (including 2 in foreclosure), the future remains unknown, especially in these times of pandemic uncertainties. Asked if he saw anything coming down the road that should affect this decision, Richard responded that we don't know what we don't know.

Sandy moved that we proceed to execute the financing agreement at this time. Lori seconded the motion, which was passed.

ACTION: Convey the FinCom recommendation on this matter to the board.

Dining Room minimum allocation change

Nancy noted that the Governance team from last fall's Town Hall meeting came up with several areas to investigate, most of which became moot with the selection and hiring of Richard Cox as our new General Manager. One of the remaining issues was the question as to how the dining room minimum use assessment was determined. Several residents suggested that it would be more fair to assess on the basis of the number of people in a unit, rather than the size of the unit, as it is now. That team discussed this and agreed on a proposal to change the assessment, but the action to write this up and propose it to the board was not completed. The committee agreed to establish a subteam to review this and report back to FinCom.

ACTION: Sandy and Maryellen will write up this proposal and present it to FinCom at our next meeting.

2020-21 FinCom calendar

The practice has been to have the FinCom meetings on the Wednesday before the Thursday general board meeting. The current FinCom Charter states that "to the extent practicable, the Committee shall meet in the week before the Board Regular Monthly Meeting, on such day, and at such hour and location as the Treasurer may deem necessary, giving such advance notice as is practicable under the circumstance." The draft charter adds "The Treasurer shall prepare the meeting agendas, arrange for proper posting and submit them to FINCOM committee members at least three days prior to the Committee meeting". Posted on the wall opposite the mailboxes are the current dates for 2020 FinCom meetings.

The intent is to review the prior month's financials at these meetings, so that the board and membership get reviewed financial data no older than one month. Anthony intends to have draft financials available on the 15th of each month, for the prior month. That only meets our published schedule for July and Oct.

A draft FinCom calendar for the year was distributed at the meeting. Nancy proposed that we change FinCom meeting dates for June, Aug, Sep, Nov, Dec, and Feb 2021. Some of these proposed dates do not provide 3 days to review materials, but they allow review in time for board meetings. Changes were not discussed by the committee, except to agree to change the June meeting to Friday, 19 June, with the packet due to members on Tuesday, 16 June. A full year schedule will be on the next meeting's agenda.

ACTION: Nancy to inform the front desk of the change in the June meeting date.

Open Discussion

Nancy noted that, in an open public meeting, this would be where we would invite residents to make comments. There were no further comments from the group.

Adjourn

With no further business, the meeting was adjourned at 12:10pm.

Next Meeting

The next meeting of the Finance Committee will be Friday, 19 June, in the Crystal Room, if allowed by shutdown restrictions, with the packet due to members on Tuesday, 16 June.