

Del Mesa Carmel Community Association
Finance Committee (FinCom) Meeting
Minutes of Regular Meeting
November 13, 2020

1. **CALL TO ORDER:** Committee Chair, Nancy Jones, called the meeting to order at 9:30. The meeting was held on Zoom.

2. ROLL CALL:

Committee Members Present

Nancy Jones, Chair, Maryellen Eisenberg, Susan Franks, Marty Rubin, Mark Vanlerberghe, Lori Silver and Tom Mallett all participated via Zoom. The Agenda was changed to add Authorized to add Authorized to sell DMC assets and Text for the 19 November Board Meeting. With the additions, the Agenda was Approved.

Others Present

Richard Cox, General Manager and Anthony Lombardi, Finance Director, participated via Zoom, as did Fran Farina, Board President, and the other Board Members. Other non-board members were also present on Zoom.

Approval of the 21 October and 5 November September 18, 2020 Meetings Minutes. The Motion was made to approve these Minutes. Motion approved.

4. GENERAL MANAGER AND FINANCE DIRECTOR REPORTS.

October Financials not available. Richard Cox had no remarks. Anthony Lombardi said the October Financials will be available next week. This will also be a problem next month, when November financials will not be available for our December FinCom meeting. Both months are due to holiday schedules of the Board meeting.

5. TREASURER'S REPORT

October Reviews/Reconciliations per Civil Code 5500/5501. October financials are not ready, so reconciliations and delinquency reviews have not yet been done. They will be completed by Mick Connolly and Nancy Jones before the 19 Nov Board meeting.

October Delinquencies. As of this date, there were two delinquencies. Both were minor, less than \$60,000.

6. OLD BUSINESS

Policy on Budget Surplus and Deficit.

Nancy explained why she did not present FinCom's proposed Policy on Budget Surplus and Deficit to the Board at its last meeting: a fourth option for handling a deficit was identified, that is, to short reserves. FinCom members pointed out that this was a subset of the third option that

a deficit that cannot be alleviated by borrowing, should be addressed and alleviated by the Board on a case by case basis, balancing the adverse effects of cumulative deficits on DMC's fund balances against the adverse effects of increasing the monthly HOA Membership Dues or by a special assessment. That is, the previous proposed policy still holds.

Any budget surplus should not be returned to the residents. Any budget surplus should be used for two possible purposes: 1) restore the reserve fund and 2) to fund special projects that have been approved by the Board with emphasis on restoring the reserve fund. The decision is to return Surpluses to the Reserve Fund.

Deficit: The subcommittee recommends that staff do all in their power not to have a budget deficit at the end of the year. If there is one, the Board should "borrow" the amount of the deficit from the reserve fund in accordance with DMC's Bylaws (Article V, Section 7) and Davis-Stirling which requires repayment within one year. The third option is to short the Reserves. This option is basically the same as the first option, that is, that staff do all in their power not to have a budget deficit at the end of the year.

See full text for discussion of these two issues in September 21, 2020 Minutes.

Nancy Jones will write up the policy and present it to the Board.

2020-2021 FinCom Calendar. The calendar extends through 2021. Except for November and December, in 2021 all FinCom Meetings will take place on the Wednesday of the week before the Board meeting which takes place on the last Thursday of the month. The earliest possible date for the financials to be complete is the 15th of the month. The calendar distributed at the meeting today, contains the contracts we have at DMC and when contracts are coming up for renewal.

The next FinCom meeting will be on Wednesday December 9, 2020.

2021 Budgets – FinCom recommendation to Board Review Process.

This is probably the most important thing we do all year; to make our 2021 budget recommendations to the Board of Directors for its November meeting. At that meeting, the Board will take our recommendation, discuss it, allow member comments and, then, vote on what will become the approved 2021 budgets, with their attendant impact on 2021 HOA dues. Operating and Reserve Budgets were discussed.

Anthony wants to update the 2021 Draft Budget with information we will receive at the end of the month.

Nancy Jones has taken the list that Tom Mallett shared with us containing points regarding dues increase justifications from another HOA organization. A similar list will be provided to Del Me-sans in the December NEWS.

Richard Cox worked very hard to get the dues increase down to 2.9%.

Because of Covid-19 there has been an increase in staff participating in DMC health insurance. Many employees in the past did not sign up to take advantage of DMC's Health Insurance.

There used to be an open season to sign up, but now in California, people can sign up for health insurance at any time. The employees at DMC are taking advantage of this open enrollment period and signing up for Health Insurance.

There are no fixed amounts on salary increases. Employees will receive a performance review and based on that they will receive a percent of increase.

We are budgeting to pay the insurance all at once, so we don't have to make interest payments in 2021.

On page 4, Food and Beverage Revenue is conservatively estimated for 2021, based on Covid-19 limitations.

Guest Rooms Revenue is budgeted considerably lower for 2021 than 2020 because, again, of COVID-19.

Utilities have been increased by 5%, except for water which has been budgeted with a 25% increase.

Maryellen Eisenberg suggests improving the patio area so that the area is more comfortable, for example, a cover to protect against rain. Richard Cox said we are researching a cover for the patio area. However, Richard Cox expects to receive more restrictions because of the increase of COVID cases in Monterey County. To that end, perhaps the restaurant will be only available for take-out and delivery.

Richard Cox is also researching a truck to transport the water from the well at the bottom of Roach Canyon. He wants to exploit our ability of pumping water out of that well and transport it for use on plants in the main areas of DMC.

Maryellen Eisenberg asked about salary increases. Richard Cox said there are a broad range of salaries at DMC. There are people being over paid and some under paid. He is working on getting everyone in a range. He said we are in the process of categorizing sets of skills with the goal of being more consistent across all employee job descriptions.

Richard Cox said it was not just the 8.2% increase in HOA fees for 2020, nor the PPP money, it was also controlling expenses which caused us to be flat at the end of the year.

The Reserve will be increased to 5.5% in 2021, keeping it 32% funded. The Reserve Account is a mixture of the ARA recommendations and special projects suggested by residents. Mark Vanlerberghe wanted to know if the information in our updated Reserve Budget spreadsheet will be sent to ARA for them to update their information and resend the formal report so the annual report can be completed per #'s 5550 and 5565 of Davis Stirling.

We need to produce a recommendation. Motion from Tom Mallett that FinCom recommends to the Board to approve these budgets and the annual increase to the HOA. Lori Silver seconds Tom Mallett's motion. Unanimously approved with Mark Vanlerberghe noting as part of the voting record, his suggestion that the ARA Reserve Study be updated to tie to the 2021 Budget.

7. NEW BUSINESS

Sale of DMC Assets. The House Committee has sold some DMC furniture. All sales of Association Assets must be approved by the Board. FinCom recommends to the Board the approval of the sale of the Crystal Room furniture with the profit to be used on new furnishings.

2021 Dining Room Minimum Allocation.

In 2020 the average spent by each unit was \$60.00 per month unspent. The 2020 Dining Room Minimum was \$10,000 budgeted. Richard Squires commented that there should be no fee. The DMC Ground Rules-describe the dining room minimum an incentive to use the dining room.

Motion from Nancy Jones that we recommend to the Board that the Minimum Dining Room fee for 2021 is \$400.00 annually per unit. Motion passed. We need an action to change the Ground Rules. Nancy will take the action to do this.

IRS Revenue Ruling 70-604 Requirement.

Anthony reported that there is no required vote from membership at this time on this topic.

Material for the 30 November Budget Report

Information regarding the justification for the increase in HOA fees for 2021. Material for 30 November member Budget Report.

1 - Monthly HOA Dues allocation - that is the pie chart; it provides this information.

2- Comcast fee reduction, for example, Nancy has a \$60.00 a month savings given the reduced Comcast fee.

3 - Budget Narrative. When the budget is presented to the residents, Nancy thinks the pie chart should be included. Richard Cox thinks the Budget Allocation should be included.

Nancy is making up a narrative listing the points that influenced the recommendation for a 2.9% increase.

Text for the 19 November Board meeting.

Nancy described an on-going problem with the scheduling of FinCom meetings as they relate to Board meetings. FinCom/Treasurer items for the Board meeting agenda are requested before FinCom has had a chance to meet and come up with what we want to say at that meeting. Unfortunately, because of the D-S requirement to post agenda 4 days before meetings, there isn't much we can do about this problem. Nancy sent Fran a preliminary response to her request for agenda text, as follows:

Treasurer's Report. Points: Reconciliations,
Review of 2021 Budgets
Proposed changes to Dining Room Minimums
Crystal Room furnishing sales.

8. OPEN DISCUSSION

Members were invited to make any comments.

Richard Squires stated that it would be useful to members if we could put pie chart that allocates dues to functions on website. Anthony Lombardi responded that he can do this, if directed, but not until the budget is approved. There is concern that prospective buyers may not have the context of this chart. Richard Cox noted that all financials on the website are restricted.

Anthony noted that many realtors have this access. Realtors should protect this information. This action was left to staff.

Adjourn - 11:22 a.m.

Respectfully submitted,
Susan Franks