

Del Mesa Carmel Community Association
Finance Committee (FinCom) Meeting
Minutes of Regular Meeting
August 21, 2020

1. CALL TO ORDER: Committee Chair, Nancy Jones, called the meeting to order at 10:05 in the Del Mesa Carmel Crystal Room.

2. ROLL CALL:

Committee Members Present

Nancy Jones, Chair, Maryellen Eisenberg, Susan Franks, Tom Mallett, Marty Rubin, Mark Vanlerberghe, Lori Silver (participated via Zoom). The Agenda Approved.

Others Present

Richard Cox, General Manager, Anthony Lombardi, Finance Director, Gigi Wharton, Director, other Board members attended via Zoom.

Approval of the July 21, 2020 Meeting Minutes. July 21, 2020 Minutes approved with one change, every time there is a new version, the date in the footer should be adjusted. Motion to approve the July 21, 2020 FinCom meeting Minutes, as revised. Approved.

Announcements: The following items were approved by the Board of Directors at their July 30, 2020 meeting.

Charter Revision: Board approved the revised FinCom Charter.

Comcast: The Board approved the option of a bundled TV and Internet package at \$47.00 per month to residents (this does not include taxes). Negotiations regarding the contract are in process with Comcast.

Approval of contracts: The recommendation from Fincom to the Board was to approve three contracts. The Board approved all of them. The contract for the new generator was awarded to Conte. The contract for roofing of additional homes was awarded to Noble Pride. The paving contract was awarded to J.B. Bostick.

Dining Room Minimum. FinCom sent a recommendation to the Board to change the annual requirement of the dining room fee from one based on square footage of a house to one flat fee, per unit. They approved, but did not decide on an amount.

4. GENERAL MANAGER AND FINANCE DIRECTOR REPORTS.

Finances Improved. Richard Cox, General Manager reported that the finances of Del Mesa are under constant review. He and Anthony Lombardi, Finance Director feel very confident that we are in good shape for the rest of the year. They have begun looking at payroll and other expenses in preparation for the 2021 budget.

Gas and Electric. The gas and electric comes as one, big bill from PG&E. Combined, the budget is tracking. We are in the black by \$2,790.

Financial Statements. Payroll is down. Marty Rubin asked if this was permanent. The reason payroll is down is because we are down two employees.

The Board approved the creation of the new Capital Expenditure Fund from transfers from the Operating and Insurance Funds.

Balance Sheet. The SBA is not accepting forgiveness applications for the PPP funds as yet. Anthony Lombardi has the application ready. The Payroll Protection Loan is shown as a liability in the Operating Fund on the Balance Sheet. We may put the money in this fund into a new fund from which we would pay for Insurance in advance to save on the interest expense. Part of the assessment we are charged each month goes into the Operating Fund and also into the Reserve Fund. In 2021, Mark Vanlerberghe asks if part of the assessment money could go into the Capital Expenditure Fund, if the 2021 Budget dictates a need for new capital projects in excess of the current fund balance.

Consolidated P&L. An explanation was requested of Anthony Lombardi regarding Depreciation. He responded that previously the auditors would provide Depreciation in one, lump sum. Now it is calculated and booked monthly.

Detail Department P&L Statement: Last month Lori Silver asked Anthony to provide statistics on the Dining Room. Anthony provided a chart showing Food and Beverage Chit Statistics. In January through March our Dining Room sales were slightly more than \$16,000 per month, but fell to \$12,000 to \$14,000 in recent months because dining room attendance was down due to being closed. The \$14,000 is from July when it was reopened.

Guest Rooms. Nancy Jones suggested we have a campaign to encourage people to use the Guest Rooms. For example, have a sale on the room rate. Richard Cox explained that we are seeing a downturn, just as the motels and hotels in the area are experiencing. Maryellen Eisenberg suggested allowing an increased occupancy time, currently at one week, during this evacuation period. Richard Cox responded that is a consideration. However, another factor is a concern about strangers coming onto our property due to COVID 19. This subject will be brought up to the Board.

Reserve Budget. Although we have only used \$188,000 YTD, we have large ticket items coming up. There have been some unexpected expenses, for example, the compressor in the refrigerator needed to be replaced recently. Also, the Board decided to purchase new van, rather than to spend \$7,000 on getting the old one (ten years old) fixed. There will be paving expense, and roofing expenses. The new generator will come from the Capital Acquisitions Fund. A sub-fund of the Reserve Fund is the Healthy Forest Fund. Originally the \$10,000 for Healthy Forest was in the Operating Fund.

Reforecasting. Not available at this time. Delayed. Lori Silver recommended adding notes of explanation to the Reforecasting Report. Anthony Lombardi said there will be notes and back up data to explain the items. It was requested to have this report available for the September Fin-Com meeting. Anthony Lombardi responded that he would try to have it available understanding that it will be very useful for the 2021 budgeting process.

Comcast. Contract signed this week. They will circulate a flyer for the residents, explaining the new services. There will be a portal on line people may access, or another option is going to the Fremont Store for more information. We are extending the \$42.50 for the month of September.

The contract will not be in place until October 1, 2020. Comcast is planning on providing a dedicated person to handle DMC questions and concerns.

2021 Budget. Richard Cox said that we are approaching the 2021 budget very conservatively. He is cautiously optimistic between now and year end regarding outcomes. We will be right at budget or slightly below. Anthony Lombardi thinks we will be about \$50,00 to \$100,00 either way.

Mark Vanlerberghe and Nancy Jones both stated how much they appreciate the quality of the reports that Anthony Lombardi has provided each month. Now we have accurate, current data. After Fincom reviews the Financials and after the Board approves, the Financials will be put on the DMC website.

5. TREASURER'S REPORT

The financial accounts have been reviewed as of this date.

As of the end of July, there were four delinquencies. Two are in foreclosure and the third was due to a hospitalization. Anthony Lombardi is working with the caregiver to get the dues set up with autopay. The fourth is a renter who is behind on their dining room charges.

Richard Cox said that the person with the banking delinquency has happened before and the person eventually pays what is due.

6. OLD BUSINESS

Policy on Budget Surplus and Deficit: In the February 2019 minutes, there was a proposal to address the Surplus and Deficit. We will have a surplus this year. There are various options available to us when we have a surplus, one of them being returning the money to residents, another is putting the money into the Reserve Fund, another is using it toward next year's budget, or finally putting it toward some special 2021 project.

For Deficits, in the past, we have borrowed money from the Reserve. We had several years of deficits and the money to make up the difference came from the Reserve. The Board did not examine the consequences of borrowing this money from the Reserve adequately. Nancy suggests an ad hoc committee to develop a policy regarding Surpluses and Deficits.

The first step is to check with the HOA Attorney regarding forming an ad hoc committee to examine and recommend a policy regarding this issue. Tom Mallett, Marty Ruben, and Lori Silver will form the suggested hoc committee to explore the options.

2020-2021 Calendar. Nancy proposes that the September meeting take place on Friday, September 18, 2020; with first draft of the budget available by September 15, 2020. The October meeting will take place on Wednesday, October 21. Revised budget by October 19. Nancy will create an annual calendar for the rest of 2020 and the first part of 2021.

7. NEW BUSINESS

Reserve Study, What-If Spreadsheet Review: We are fine with 32% of the Reserve funded; that was the recommendation by ARA. ARA said it was perfectly acceptable and reasonable.

We should have an annual Reserve Budget to track what we will need to spend. After the review of the Reserve Budget meeting with the ARA representative, Mark Vanlerberghe had the following information. ARA has a portal which allows a person to go right to their Reserve Study data, and make adjustments to see how the Reserve would be affected, based on the changes and adjustments. They sent a demo of the portal, but it does not work, said Mark Vanlerberghe. For our purposes, right now we can use an Excel spreadsheet. We have the spreadsheet from ARA with their data and can add a line, change lines, or average costs as needed in order to come up with varying outcomes. Mark Vanlerberghe said he will send the spreadsheet to Anthony Lombardi.¹

Richard Cox and Anthony Lombardi will meet with the Department Heads to determine what is needed. We will start with the ARA numbers and set up a Reserve Budget for 2021. We will review the budget each month regularly to determine if an item is still needed or if it needs to be changed in some way looking at different elements.

Goals for 2021 Budget. Nancy began the discussion of Budget Goals with a list of items open for discussion. The group decided to create a workshop to further discuss and create a list of goals to suggest to the BOD.

On Tuesday, August 25, 2020, FinCom will have a special “workshop” discuss, elaborate, and add to the nine goals and objectives Nancy Jones provided. Nancy asks for additional items and comments from members by Monday, August 24, 2020. The list was created at the workshop and will be presented to the BOD at the September meeting.

The Budgeting Process. Anthony Lombardi will have a template that will include three years worth of data with regard to past budgets and 2021 budget items. Richard Cox and Anthony Lombardi will sit down with Department Heads to review the numbers. Then they will create a budget for 2021 for review by FinCom and the Board. We will need to involve Chairs from the House Committee and the Building and Grounds Committee because they have some additions to the budget. Ideally, Richard Cox receives direction and strategy from the Board and then shares that with Anthony Lombardi for the following round of review.

OPEN DISCUSSION:

Carmela Cantisani, Question about the similarity of guest rooms and farmer’s market. The difference is that the farmer’s market would bring people in from the outside. The guest rooms could be more restrictive. Nancy Jones explained that we will suggest to the Board to have a policy regarding the guest rooms.

Mary Rogers, Question: There are a number of groups that would like to have funding. When will these groups be able to bring up their request for funding? Nancy Jones responded that the committees need to provide the information to the Board at the open portion of the Board meeting.

Richard Squires, Comment. Equalizing the restaurant fee is a great first step. Richard Cox suggests the Comcast fee and the restaurant fee be included in the HOA fee. The Comcast fee will be included; the restaurant fee cannot be included.

Motion to adjourn the meeting. Meeting adjourned at 12:00 p.m.

NEXT FINANCE COMMITTEE MEETING WILL BE HELD ON FRIDAY, SEPTEMBER 18 AT 10:00 A.M. IN THE CRYSTAL ROOM WITH ZOOM PARTICIPATION AVAILABLE.

Respectfully submitted,
Susan Franks