

# Finance Committee Meeting Minutes

## July 21, 2022

Committee Attendees:

Joel Cohn  
Ilana Kaufman  
Dan Woodruff  
Lisa Coney  
Scott Goldberg  
Bob Ernst

Not in Attendance:  
Alan Schantz

39 homeowners via Zoom, 13 in person

7:10 Start

Chair Report - Overview

- A. Original project 4 million - 3 million from the bank, 1 million from EGPOA
  1. The 3 million loan is categorized as a construction loan- interest only. When the project is completed, it converts to a permanent loan (with interest (plus principal, based on amortization). This period is 10 years.
  2. Interest was figured at 4.5% now rates are up to 6.5%
  3. The overall project is trajecting towards 5.5 million
  4. We have already utilized 2.8 million, 150,000 is left - 75,000 can be drawn from the bank once temporary CO is requested.

Audience Question:

Michael Tannenbaum-

Q: When will the project be finished?

A: Michael Hoyt - once this building (gestured to entertainium) is finished.

Q: Interest rates are 1 thing, who approved the extra 1.5 million dollars? Board can only go 10% above. During covid, we assumed new estimates came in. The biggest problem is there is no communication with the association between the board and the association.

A: Joel - I agree, myself and Ilana wanted to do that, but we were out voted.

Scott G - We are just as upset as you, but we need to address the committee. At the end, open the meeting up for questions and attend Sunday's meeting.

Ilana listed a number of recommendations to present to the board for the upcoming July 24th, which will be voted on at the July 24th meeting.

1. Board will review reserve balances on a quarterly basis to make sure they are sufficiently funded - approved unanimously
2. The accountant's fund balance schedules and all financial reports will include the account's adjustments. These reports will be included in the monthly board package - approved unanimously.
3. Job cost report will always be included in the monthly board package - approved unanimously.
4. An aged summary receivable page will be included in the monthly board package - last page only (no names), this ties out to the balance sheet. - approved unanimously
5. Separate bank accounts for operating, assessments, and reserves with a subsidiary schedule for any commingled accounts- approved unanimously.
  - a. Michael Hoyt - We currently have 2 accounts, cash management and reserve
6. 2 Summary Cash reports included in the board package (month to date, year to date). - approved unanimously
7. If a board meeting is not held in a given month, board financials are still distributed by the 3rd Sunday of the month - approved unanimously.
8. Board will authorize Joel to talk with the accountant and the bank - approved unanimously.
9. Bob recommendation - take management out of the treasure's position and give the responsibility to the accountant. - approved unanimously.
10. Recommend Ken Codder to join the finance committee (CPA) - approved unanimously.
11. Any expenditure over 10,000 that the board votes on, the finance committee will issue their recommendation and will advise on their position. - approved unanimously.  
*Originally presented as, an estimate for 10,000 + has to be first approved by the committee - unanimously not approved.*  
(Committee will notify via email within 48 hours)
12. If any board infractions are found, immediate notification via website and email - unanimously not approved. (discussion points - this will already be accomplished in the board minutes).
13. Cash flow statement to be included in the monthly board package. - approved unanimously.
14. Scott recommendation - Water Company's financials should be submitted in board packages on a quarterly basis - approved unanimously.

Scott G. to Ken Cotter - suggestion for any other recommendations?

A: nothing on the top of his head.

Q: Ken - Is there a next committee meeting scheduled?

A: Ilana - Not currently, next step will be to present to the board these recommendations on Sunday for a vote.

Scott - advise the board if they don't agree to these things, the goal is that we are privy to what is going on, we can't prevent things, if they can't agree to do that, he will resign and will advise the community otherwise.

Questions from community:

Michael Tannenbaum -

Q: Re: Doubtful income dues in proposed budget @ 71,000. Why aren't we going after these homeowners? We should take a hard line, garnish wages.

A: Michael - the only time we lose is in a foreclosure (we put liens on properties, we have collections, it is a 2 year process - we foreclose on properties as well. We do collect.

Q (Scott): We need to segregate those funds.

A: Michael: We do

Q: What do we do to collect from other sources?

Janitorial supplies to 30,000 are high

Security (100,000) - do you need that for the whole year?

D.O insurance needs to be used and a claim should be filed.

Jose C -

Q: 250,000 - 300,000 is that what the water company owes us?

Bob - the water company was the "piggy bank" for years

Joel - disagree on that. Other monies were advanced in previous years.

Jose DeJesus - Lake Louise did not contribute to anything.

Lesli

Q: Did lake louise contribute to the dam?

A: Michael - The PSC did not like that, there was a refund that would have been awarded in a cumbersome way.

Q: Does the financial committee have access to online banking to see what comes in and what goes out?

A: Michael - He and Brittany have access, not the committees

Q: When bills need to be paid, are we looking over these in real time?

A: Scott - Moving forward, we will look at what happened and advise the board after we know on a timely basis.

Q: Recommendation that those who approve the expenditures, those individuals are listed and can be seen by the check signers.

Mitch -

Q: Have we considered making a special allowance for 100 or so homeowners (give them a push)? For people who don't have it. (We live in a diverse community with varied needs).

Q: You only get 1 chance to deliver bad news. We are talking about the deficit on the books. This association has been underfunded in all the years and needs reserves. People don't like surprises, when you put the package out, you need to put everything out. What liability does the architect have? Does he have any?

A: No idea

Howard Mann -

- a. A new homeowner, suggesting we recommend that an independent firm, look into the significant discrepancies of overages. Don't look into DO until an outside professional did something wrong until someone who is an independent body, establishes where there are cost overruns.
- b. Arrears - should have someone working on this on a regular ongoing basis, no significant legal fees, this person will collect their money when we do, outside of board and management.
- c. Water company monies need to be collected.
- d. Mortgage - other alternative financing should be looked into, even in today's marketplace, 6.5% interest is still high. Still lending institutions in the 5 % range. Has anyone looked at mortgage financing? Believes there could be value.

Joel - we don't have a mortgage, we are essentially pledging our dues

Bob - they take the assignment of our assets as homeowner's dues, if you look at your deed, we need to have these buildings, but they can't take our buildings. In the water company, the PSC controls what we can do. The PSC is not quick, we waited 14 months to get those approvals. The golf course - an asset they can sell because it has sewer and water. They wanted 2 million and we purchased it for 600, 000. If you have a mortgage broker who can look at this, so much is deeded a specific way and limits us. We have been working from hand to mouth for so many years.

Joel:

Financing Recommendation Overview:

1. 4 million/1 million 75%/25%
  - a. Project totals 5.5 M (150,000 to draw (75,000 easily released after temp. CO issued).
  - b. Applied the same ratios, instead of 3 million would be 4.86 from the bank and EGPOA pays 1.362 M.
  - c. Reserves need to fund:  
  
Dam: 175, 659  
Golf Course: 117, 760  
Vehicle: 39,000  
EAP: 25,000  
Lake Maintenance: 10,259
  - d. Michael confirmed cash on hand at 500,000  
(less funds collected for construction = 288,207 - actual cash)
  - e. Operating funds needed June - December = 740,000 (minus cash = 486, 885)

- i. This (486,885) funds reserves and cash shortages from operations.
- f. Still short of 335,000 that needs to come from the community.
  - In total, 662 due paying homes
  - 13 vacant lots (full dues )
  - 38 vacant lots (25% of dues)
  - 713 homeowners total - we estimate 8% will probably not pay

We allocated 656 homes for this:

Amortization period = 12 years (15 may be possible)

Rate calculated at 6.5% ( interest rate resets every 5 years).

- g. We are taking the high side of things. We know we are paying interest. We are trying to lessen the burden on the homeowners.

Mitch: The big hit that we are seeing is funding the deficit, on an ongoing basis because of the interest.

Joel - you are going to need 489,000 to pay the debt service for all this money. We need an extra 300 now that is debt on a go forward basis.

- h. We are proposing a 1 x \$806 assessment
  - i. \$511 = reserve and cash flow shortages (we need to pay back the reserves ie. dam and golf course most importantly).
  - ii. \$295 = additional construction assessment
  - iii. \$450 assessment will now be \$745

Joel: prior boards have not kept up with the maintenance of the association, they kicked everything down the road. We are all having to pay for those board's decisions.

Howard - we need to think of profit revenues - concession stands, etc.

Michael - had a snack shack, wasn't profitable..

Joel - some people have offered to pay this out in full to draw down interest. This plan presents difficulties.