MEETING MINUTES

1. Call to Order
   a. The meeting was called to order at 7:07 pm.
   b. Members Present: Chairman Jeff Gathers, Bill Blumberg, Joan Lampe, Mahl Avila
   c. Members Absent: Takis Taousakis, Alex Cebotari.
   d. CMC Management: Community Manager, Judy Johnson

2. Approval of Agenda
   a. The agenda was approved unanimously.

3. Approval of Minutes
   a. In discussion of the draft June 22, 2017 minutes, Mr. Blumberg commented on certain 2016 operating expense variances that had been addressed by Board Treasurer Megan Brock. Specifically in regard to common area maintenance, Mr. Blumberg observed that the general ledger (G/L) account captions, e.g., Tree/Shrub Maintenance, may not have been explicit enough to ensure consistent classification of the expenditures. The captions themselves normally cannot be “edited.” However, Mr. Blumberg suggested that more comprehensive and detailed definitions of scope for individual G/L codes could be maintained for internal use by management and the CAC. Upcoming work on the 2018 line-item budgets may provide an opportunity to develop such definitions. In any event, Ms. Johnson assures the FAC that these operating expenses – and any questions concerning CMC’s authorization of landscaping work – will be closely managed.
   b. The June 22, 2017 draft minutes, as proposed, were approved unanimously.

4. Resident Open Forum
   a. No residents were present.

5. Review of Financial Results
      i. Financial reports were received on Monday, July 17 – just two days prior to this meeting. Mr. Gathers noted that timeliness of delivery continues to improve. He clarified that the CMC Management Agreement stipulation has historically been interpreted to “require” publication of each month’s financial statements no later than the first workday on or after the 15th of the following month. Accordingly, delivery of the June financials on Monday, July 17, did satisfy the standard. In most months, the calendar will be more “cooperative” with more days between the delivery deadline and the FAC meeting. Moreover, while early delivery is very helpful to the FAC and Board in their work to review results prior to their monthly meetings, all parties ultimately agree that accuracy and close analysis of variances outweigh early delivery in importance. Ms. Johnson also noted that, in the current case, she only received the June financial statements from Chantilly on July 13 and was able to give
her report to Jan Ward the next day for final review.

ii. Mr. Gathers observed that the June 30 financial reports indicate a year-to-date favorable net operating variance of close to $125,000 and that each of the first six months of 2017 has shown a favorable variance in net income. Two major categories contributing to the favorable variance have been Admin Salaries and Payroll Taxes/Benefits. These charges have been under budget primarily because of the temporary staffing gap in the Community Manager position. Other differences are harder to diagnose to the extent they may be due simply to differences in timing of operating expenses vis-à-vis that assumed in finalizing the budget (see iii.a. below).

iii. Other items discussed by the committee included:

   a. The majority of line-item expenses are distributed uniformly across the 12 months in the “budget spread report,” which is finalized in January of each fiscal year. This uniform-spread approach is accurate for fixed price contracts. Most other expense types, while reasonably predictable on an annual basis, tend to be incurred unevenly throughout the year – as driven by weather events, nonrecurring maintenance costs, sloppy contractor billing practices, etc. Any “luck” involved in the first half results vs. budget may, or may not, continue in the remaining months of 2017. More important, diligent expense monitoring needs to continue throughout the year.

   b. Year-to-date operating expenses still show an unfavorable variance in trash collection due to the unanticipated (incompletely communicated) rate increase at the beginning of the year. This variance will continue through December.

   c. Ms. Johnson confirmed that she maintains a monitoring system for revenues and expenses and that the community is in fact “on track” with the budget for FY2017.

   d. Ms. Johnson also noted that, for the FY2018 budget plan, she has been working with many of the contracted service providers to negotiate rates for next year. Many of the vendors have agreed to hold to the existing contract prices or require minimal increases (typically 1%).

6. Old Business

   a. The Committee has now reviewed the CSCA’s (Ms. Johnson’s) expense management procedures for the balance of 2017 and is satisfied with the approach. We believe that any further follow-up on the breakdowns in this protocol in 2016 should be pursued only at the direction of the Board. The FAC will of course support any such effort as requested.

   b. Committee Budget Submissions for 2018: Ms. Johnson commented on the following FY2018 draft budget requests from the CSCA Committees:

      i. Common Area Committee (CAC) – Certain budget line items were reviewed and adjusted by Ms. Johnson during the most recent CAC meeting.

      ii. Cameron Club Facilities Committee (CCFC) – The budget draft for FY 2018 is comparable to FY2017 and does not reflect significant increases.
iii. The initial Activities & Events budget draft for 2018 proposes a significant total budget increase over 2017. This request will require further review and documentation from the committee chair. Also, additional detail needs to be provided on anticipated sponsor contributions – a significant factor in the ultimate cost of CSCA events.

Ms. Johnson noted that the Architectural Review and Communication Committees’ budgets are outstanding (July 17 was the due date). All committee budget requests, as ultimately submitted, will be incorporated in the first draft of the CSCA 2018 budget being prepared by Ms. Johnson. These requests will in turn be reviewed on August 21 by the Board and FAC with the respective Committee chairs.

7. New Business

Mr. Gathers commented on the Association’s Pacific Premier Bank (PPB) Money Market Account, which has a current balance of about $66,000. This account has a longer history but apparently has been “dormant” (no deposits or withdrawals) for at least three years. During this time, it has earned interest at a steady rate of 0.25% per annum – about $14 per month.

Mr. Gathers has not seen a CMC description of the intended function of this separate account. However, it is reasonable to assume that it would have been established initially to allow CMC cash managers some flexibility, i.e., to move CSCA funds temporarily from the operations (checking) account (also with PPB) to the money market account – or back again – according to short-term liquidity requirements. Judicious application of this practice might allow otherwise “idle” cash to contribute interest earnings without additional cost if withdrawals were limited to one per month.

It is important to note in this context that the Association’s cash holdings tend to vary in a quarterly cycle, driven largely by the timing of assessment income collections. In some situations, cash flows can also be “disrupted” by transfers to/from MorganStanley – or direct expenditures from operating funds – for Replacement Reserve projects. The operating account balance on June 30 was $936,000 and the money market balance $66,000 as noted above. The chairman proposed that the FAC work with Ms. Johnson to address several questions to the CMC accounting managers:

(1) Is the original purpose of the Money Market account as outlined above? If not, what is the purpose?
(2) Why has there been no activity in the account since 2013? Is there a reason other than the low rate of return?
(3) Would CSCA be able to take advantage of a higher rate of return at another bank without significantly disrupting CMC’s cash management operation?
(4) Might this account be managed more actively if the rate of return were higher, e.g., 1.00% or more?

Committee members agreed that the PPB Money Market Account topic is an appropriate agenda item for the FAC to pursue. Among the other administrative aspects, any action will likely require additional research on banks with the best rates to offer. This topic will continue to be reviewed at future FAC meetings.

The meeting was adjourned at 8:46 p.m.