MEETING MINUTES

I. Call to Order
   a. The meeting was called to order at 7:04 PM
   b. Members Present: Chairman Jeff Gathers, Bill Blumberg, Alex Cebotari, Takis Taousakis, Joan Lampe
   c. Member Absent: Mahl Avila
   d. Others Present: Megan Brock, Treasurer and Board Liaison; Meghan Marville, Interim Community Manager (CMC).

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

III. Approval of Minutes
   a. A quorum was not present for the previous scheduled meeting on October 19, 2017.
      No minutes were prepared.

IV. Resident Open Forum
   a. No residents were in attendance.

V. Review of Financial Results
      i. The financial statements and variance report continue to reflect generally favorable results. Year-to-date income is lagging projections slightly, but most categories of expenses have come in below budget for the year so far. The net variance from budget after 10 months is favorable by $93,773.
      ii. Memories of the substantial fourth quarter expense overage in 2016 remain fresh. In 2016, the unfavorable net variance increased (i.e., got worse) by roughly $130,000 during the final two months of the year. If the Association is to maintain the current favorable position noted above, Management must keep expenditures in line with the budget for the remainder of the year. If successful,
the Association should enjoy a net favorable variance of at least $75,000 to $100,000 for 2017.

iii. Ms. Lampe and Mr. Blumberg each observed that opportunities remain to improve the level of explanations in CMC’s variance reporting. Ms. Lampe noted that, in addition to CMC highlighting the financial statement income and expense accounts that show a budget variance, it is helpful to the reader to understand more fully why a variance occurred. The committee acknowledges the trade-off between early delivery of the financial package (including the variance report) and fully researched, detailed commentary.

iv. Timing is critical in this regard. In general, management endeavors to follow up on unusual or unexpected variances that are revealed in the preparation of monthly financial reports. However, delaying publication to explain findings from this research runs counter to pressure (“encouragement”) from Board and FAC members to see the reports as early as possible each month. A better timeline – and fewer variances – would likely result from a refinement in the workflow. Ideally, the manager would work to identify “looming” variances at the time a purchase or project is presented for approval by some combination of management, committee chairs, and the Board. This is not to imply that all requests likely to cause or aggravate an unfavorable variance must be denied. Unexpected needs do arise. However, it can provide notice to all interested parties of an imminent variance and the circumstances. When the invoice for completed work is in hand, it is already too late to prevent or lessen the variance. Judy Johnson now has in place monthly line-by-line budget status reports to inform committee chairs of budget status. Early results are positive.

b. The chairman noted that he has been assembling a “post mortem” cash disbursements spreadsheet for 2016 as compared to this year. This project is in response to the Board Treasurer’s request for further clarification – beyond that already offered by CMC as to how and why the December 2016 budget variance had occurred.

c. Committee members reviewed the timing of the initial release of the December 2016 financial statements, noting that we did not receive the first draft of financial statements for year-end until very late in January 2017. This was the first glimpse of the very disappointing results in December. Three more iterations of adjustments for miscoded charges were commissioned, such that the final year-end statements were not published until February 23.

d. The chairman led a brief discussion on the classification of certain expenses related to capital improvements and/or major repairs or replacements. Reviews of financial statements indicate that some of these expenditures are being charged against operating statement accounts, rather than one of the two “reserve accounts” maintained precisely for this purpose. In some cases, the opposite
miscoding has occurred; that is, a reserve account has been used for an expenditure that should have been charged to operations. The charge to the FAC is to suggest clearer standards for management.

e. Other accounts in the October 31, 2017 Financial Report that require further explanation and follow-up include:

i. Ms. Lampe noted the Variance Report was missing an explanation for the Admin Salaries and PR Benefit accounts.

ii. Chairman Gathers pointed out that the asset account for Assessments Payable at $99k is much higher than both historical and recent averages. While it is possible that this spike is due to slower payments by individual owners, the more likely explanation is late transmittal of CSCA assessments collected by one or more of the condominium associations. The chairman will follow up to confirm.

iii. The committee members follow the arithmetic used to compute “excess capital” in regard to the funded status of the Owners’ Equity balance. However, members would like to understand better the ways that Jan Ward suggests readers react to either a positive or negative balance referred to as “excess” capital. Is “negative excess capital” a good thing or a bad thing?

iv. Lancaster landscaping is supposed to be a level budget amount each month; however, the allocation appears unusual in October. The chairman will follow up.

VI. Old Business

a. The committee discussed the “post mortem” memo that was previously requested by Jon Dellaria, Board Chairman of the CSCA at the July FAC meeting. While the chairman originally agreed to draft this memo, the committee was asked for comment on whether it should pursue this matter any further. The committee discussed requirements to fulfill the commitment, including additional conversations with CMC.

Irrespective of whether the committee prepares a separate “post mortem” memo, Ms. Lampe recommended that the Finance Committee have a document of record to recognize the fiscal year end 2016 financial statement actual-versus-budget operating variance in a separate one-page document. After further discussion, the committee agreed the post mortem memo would go forward with a limited number of exhibits.

b. Money Market (MM) Accounts: The committee members continued a discussion of both the CSCA Pacific Premier Bank (PPB) and Morgan Stanley (MS) Money Market Accounts. Members agreed it is appropriate to maintain the MS account, in that it is required by Morgan Stanley to provide a home for both: funds from
maturing CDs, and transfers of cash from CSCA operations awaiting CD investment. Discussion also included the PPB MM account. All members agreed that -- if alternative accounts with higher rates of return were available -- the current PPB could be closed and assets transferred. Any change in accounts would need to be carefully coordinated with CMC and the CSCA Board.

c. Codification of Expense Category Definitions: The chairman indicated that Mr. Blumberg would draft new guidelines for the FAC and Community Manager to review at the next meeting.

VII. New Business

a. Interim Management Structure: Chairman Gathers noted that Ms. Brock was already informed of the interim management structure at CSCA.

b. Chairman Gathers noted the FAC Annual Holiday party would occur on Monday, December 11, at 7 pm at City Kitchen in Alexandria.

VIII. Adjournment

a. The meeting was adjourned at 9:19 pm.