Cameron Station Community Association  
Financial Advisory Committee Meeting  
October 25, 2018  
Cameron Club Henderson Room  

MEETING MINUTES

I. Call to Order  
   a. The meeting was called to order at 7:02 p.m.  
   b. Members Present: Chairman Jeff Gathers, Bill Blumberg, Fred Blum, Sarah Walsh, Takis Taousakis, Joan Lampe  
   c. Members Absent: Alex Cebotari  
   d. Others Present: Martin Menez, Treasurer and Board Liaison

II. Approval of Agenda and Minutes  
   a. The agenda was approved unanimously.  
   b. The September 24, 2018 meeting minutes were approved unanimously.

III. Resident Open Forum  
   a. Ms. Lena Higgins, candidate for CSCA Board of Directors, was present. Ms. Higgins described her interest in financial matters broadly and the activities of the FAC in particular.

IV. Review of Financial Results  
   a. September 30, 2018 Financial Statements and Variance Report

      Mr. Gathers invited comments on the September 30 financial statements and variance results. Overall, the Financial Statements appear reasonable with a year-to-date net surplus of $145,927. This favorable status reflects a combination of close management of expenditures against budgets and good fortune in key weather-driven accounts such as snow removal, irrigation usage and landscape maintenance.

      The Variance Report prompted a more detailed discussion, continuing threads being explored for much of 2018.

      i. Ms. Lampe referred specifically to a comment on the favorable variance in the pool supplies account (#6710), suggesting concern as to whether CCFC’s or management’s focus had been to “burn through” the remaining budget before year-end. Members agreed that each CSCA expenditure approval should be justified on its merits, not on the potential lapse of available funds. As to the merits of this expense, however, several members described an undocumented but plausible scenario in which the CCFC observed the need to restock worn and damaged pool toys and other seasonal items before next season. Especially if the goods become available at discounted “end-of-season” prices, such a purchase may well represent good management. The FAC appropriately relies on the Community Manager for consideration of these issues in authorizing purchases.
ii. The committee moved to a related discussion of the Community Manager’s ongoing responsibility to provide explanations for the “most significant” account variances in monthly reporting to the Board and FAC. By agreement with the Board, “significant” has for a number of years been defined as showing a year-to-date variance (favorable or unfavorable) of at least $1,500. This, or any other specific dollar amount, is generally called the “threshold.” The practice of defining a uniform threshold to help focus attention on the most important or least expected outcomes is broadly supported, but the effectiveness of the current threshold has been questioned by both Management and the FAC. The greatest concern is that so many of the 12 (non-Assessment) Income and 80 Expense budget lines clear the current $1,500 threshold each month. For the month of September, for example, there were three Income lines and 36 Expense lines that exceeded the $1,500 threshold.

iii. The FAC understands the Community Manager’s frustration in approaching such a long list of accounts to draft truly informative comments on the nature and cause(s) of each variance. This can be especially concerning given the FAC’s ongoing interest in getting early access to the completed Variance Report. The current process often results in the manager’s reporting the same or similar variances in the same accounts month after month, without adding significant new information. At the same time, some recent events and trends may be known and certain to have a significant effect on CSCA operating results, yet remain unreported because related invoices have not yet been received and paid.

iv. The committee has committed to reviewing the threshold reporting requirements for the community manager to provide a comment in the Variance Report narrative. Of course, the “threshold” dollar amount can simply be raised – say, to $3,000 – but members also offered several other options and considerations, including:

  o Identify and focus on the top 20 or 25 accounts with the highest dollar variance amounts or, using more subjective criteria, simply select the specific accounts that the Community Manager feels should be of particular interest to the Board and FAC members.

  o Instead of, or in combination with, using the $1,500 reporting threshold, establish a certain percentage variance threshold for research and reporting? The Chairman noted that a standard CMC report shows both dollar and percentage variances side by side for each income and expense account? Mr. Gathers and Mr. Menez had recently reviewed a sample of this report. The path to an explicit all-purpose percentage to use as a threshold was not initially clear. Percentage thresholds that might come to mind (e.g., 10% or 20%) flag almost as many accounts as the current $1,500. Other variations, perhaps including two factors ($ and %) in the threshold may do a better job.

  o It is also noted that some large variances appear in reporting simply because significant budgeted expenditures occur in a month before or after the month anticipated in the annual budget process and documented in the “Spread Report.” Once finalized in January, the Spread Report cannot be changed for the balance of the year. Might the number of account variances be significantly reduced if the budget allocation by month were prepared differently for 2019? Or should management strive to focus more closely on the Spread Report in scheduling projects? The Committee agrees that predicting the month that non-recurring expenditures will be incurred is far from an exact science. A few of the committee members, including Ms. Lampe and Mr. Taousakis expressed their willingness to support this effort. A preliminary draft of the 2019 spread report already
exists in the C3 system as a byproduct of the budget documentation and should be a useful starting point.

- Mr. Gathers and Mr. Menez agreed to seek time with the community manager to advance these issues related to the Variance Report narrative each month, and suggested implementing a Pilot Program with CMC after adoption to see what works well.

b. Mr. Blumberg mentioned that he would appreciate additional explanatory documentation of the current billing and financial management procedures used by the six separate condominium associations operating within Cameron Station. The ideal documentation would focus on the billing, collection and accounting for CSCA assessments due from each condo association to the CSCA, and would include illustration(s) of how individual owners’ delinquent assessments affect CSCA’s accounts each month. Ms. Lampe recommended that Mr. Blumberg’s question be documented in writing for presentation to Ms. Johnson. The chairman endorsed this suggestion.

c. The committee also noted account variances related to the water utility bills (favorable in 2018 because of heavy rainfall) and how the comprehensive upgrades currently proposed by Lancaster Landscapes for 2019 might make lower water costs more common. However, if approved, the $295,000 reserve expenditure could significantly affect the soundness of the Repair & Replacement Reserve fund, since the current (2016) reserve study contemplated no significant work on the irrigation system until 2041. The Lancaster Landscapes proposal suggests that the work could be completed as early as 2019.

1. Mr. Gathers referred to the backlog of projects identified in the 2016 Reserve Study that require attention and should be scheduled or formally deferred. The community paving project is the subject of current discussion for 2020 commencement, but no formal proposals are ready for Board review.

2. A new comprehensive Reserve Study is planned for 2019. The FAC encourages patience in committing to major projects before reviewing the findings of that study.

3. Of more short-term significance, Mr. Taousakis recommended that the entire list of 2018 capital expenditures for the community be reviewed at the end of the year with the Community Manager to confirm that all capital costs have been charged to the proper account.

V. Old Business

a. Drafting the Variance Report: See above for discussion

b. 2019 Budget Status and Publication Schedule:

i. Mr. Gathers reported on the status of the 2019 budget. The near-final projected percentage for the increase in assessments is estimated at 1.25%, which is less than the percentage increase a year ago. It is also lower than the annual average over the previous 10 years. The committee discussed the amount of work involved during the previous three months by the community manager, committee chairpersons, including the FAC Chair. All FAC members agreed that because of the age of the property and the required future enhancements and replacements, continued incremental increases in the assessments are to be expected. Mr. Gathers noted that, once any year-end 2018 net income is added to
Owners’ Equity, the latter balance id likely to approach 20% of annual assessment income. This would be a signal to consider a transfer (perhaps $100,000) of Owners’ Equity to the Repair & Replacement Reserve account early in 2019. Such a transfer would be at least somewhat helpful in taking on new projects or accelerating the schedule for established ones.

ii. The committee reviewed the timing of the upcoming CSCA annual meeting and the final mailing of budget and assessment rate information to owners.

c. Repair & Replacement Reserve: Project Updates
Mr. Gathers reported there is no formal project list available at this time from Ms. Johnson. In her absence, the discussion was deferred to a future meeting. The status of the paving project may be updated as early as the next Board meeting.

VI. “New” Business

a. Reserve Project Additions and Deletions
   No additional updates are available in the absence of the Community Manager

b. Remaining 2018 FAC Meetings:
   i. The next FAC meeting is scheduled for Thursday November 15, 2018, which is earlier in the month due to the holiday. [Subsequently rescheduled to November 26]
   ii. Mr. Gathers reminded the committee that the December meeting is an informal get-together and involves a holiday dinner at a local restaurant. Last year the committee enjoyed a dinner at City Kitchen. The group discussed a date during the week of December 17 (to be determined).

The meeting was adjourned at 9:04 p.m.