Cameron Station Community Association  
Financial Advisory Committee Meeting  
October 24, 2019  
Cameron Club Henderson Room

MEETING MINUTES

I. Call to Order.
   a. The meeting was called to order at 7:05 pm.
   b. Members Present: Chairman Takis Taousakis, Bill Blumberg, Fred Blum, Jeff Gathers and Andrew Hill.
   c. Members Absent: Joan Lampe and Alexandru Cebotari.
   d. Others Present: Martin Menez, Board Treasurer and FAC Liaison, Karen Soles, Community Manager; Todd Branson, Assistant Community Manager, Richard Shea, Main Street Condo Association.

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

III. Approval of Previous Month’s Minutes
   a. The September 19, 2019 meeting minutes were approved unanimously.

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

V. Review of Financial Results
   a. Reviewed the assessment calculator, the Transportation Plan (TMP) and related issues. Condos are charged 80% of the rate charged to single family and townhouse units. This split was built into the management structure from Cameron Station’s beginning, according to Jeff Gathers. Historically, there has been a separate TMP assessment, which is a flat rate charged to all units, regardless of ownership structure. We must charge at least the city mandated rate in this manner. Part of the discussion addressed trash collection, specifically for commercial units. Commercial owners do not pay for trash collection as part of their CSCA assessment, but instead their collection service is contracted, billed and paid for separately from the HOA contract.

   b. Review of Financial Results & Variance Report. We started with a discussion of delinquency rates and the balance sheet Allowance for Doubtful Accounts, in the monthly financial reporting to the Board and FAC. Per current reporting practice, the calculation of “delinquency percentage” first reduces the total value of assessments unpaid within 30 days by the balance sheet’s “Allowance for Doubtful Accounts” (ADA). This lower shortfall percentage is then compared with “industry standards” for delinquencies as a percentage of total annual assessments. The FAC and Board Treasurer Menez agree that the ADA offset
detracts from the usefulness of the statistic in evaluating the frequency of late payments and should no longer be applied.

c. A letter will be sent to the condo associations announcing changes in charges for delinquent accounts of $25 per unit, plus 1.5% monthly interest (18% per year). CMC accounting will enforce the policy change. Condo associations must pay on time like everyone else. The condo delinquency rate has been discussed in the past as it creates significant seasonal distortions in our overall delinquency rate and cash position and related investments.

d. Treasurer Menez suggested that management change the Executive Summary’s investment paragraph to a simple table instead of the current narrative approach. It would look like the below:
   1) Pacific Premier Bank Operating/Checking Account $xxx
   2) Congressional Bank Money Market Account $xxx
   3) Morgan Stanley Money Market $xxx
   4) Morgan Stanley Laddered CDs $xxx
   5) Accrued Interest $xxx

e. The negative Computer Network/C-3 variance is due to two new computers and related battery backup, and other support changes.

f. Chairman Taousakis suggested a change in the variance report structure to create a parallel structure for showing favorable and unfavorable variances on both income and expense.
   1) Income variance items above $2,500
   2) Income variance items below $2,500
   3) Expense variance items above $2,500
   4) Expense variance items below $2,500


g. The Compass newsletter will publish one less edition this year with a resulting favorable expense variance.

h. Resale fees are now reported monthly to reflect actual collections in a timely manner.

i. Investment listing report was discussed to insure there is no confusing data.

j. A detailed property appraisal was conducted earlier in 2019 for insurance purposes.

k. The FAC will provide Treasurer Menez a listing of the top five budget changes that drive the assessment change in preparation for the annual HOA meeting.

VI. Old Business

a. Reserve Study Update. Chairman Taousakis worked with the reservist to smooth out the annual rate increase to 3.8%

b. Replacement Reserve Project Update. Chairman Taousakis has drafted a spreadsheet to improve project tracking, track by year, for the next 5 years. Columns will track original budget and budget at completion, project schedule in addition to reserve study estimates, and actual outlays through project completion and related key dates.
VII. New Business

CSCA Invest Policy Review. Fred Blum led us through a discussion of draft changes to update the investment policy. Many items reflect current and updated Securities & Exchange Commission (SEC) guidance. Major changes include:

   a. Change in investment objectives to add preservation of purchasing power and eliminate certain restriction on allowable assets.
   b. Procedures for changing the investment advisor when directed by the Board.
   c. Added a new section to establish firm criteria when searching for a new investment advisor, to include key account personnel under the Investment Advisor Act of 1940. This will bring us into alignment with current SEC guidance.
   d. Added insurance requirements for the investment advisor.
   e. Changes to Investment Guidelines, Section VII, to allow more flexibility, however the HOA wants to avoid foreign owned banks. This also sets a 5% maximum investment limit on any single security, other than US Treasury securities.
   f. Change in timing of the investment ladder needed to fund replacement reserve projects to give more flexibility.
   g. Expanded Section IX Performance evaluation to add use of appropriate published benchmarks for each investment type, again following current SEC guidance.
   h. Change in terminology from CAPEX (Capital Expenditure) to Replacement Reserve to add clarity.
   i. After the completion of the FAC review and update, this document will be reviewed by Counsel for compliance with Virginia law ahead of reviewing with the BOD.

The FAC also discussed negative interest rates, partly in response to questions from BOD members to Treasurer Menez. For differing reasons there are negative rates in both Japan and Germany. There was consensus that this was at best a remote event and we would deal with it if-and-when it happens. Bill Blumberg noted USA has a large and growing budget deficit that made this very unlikely.

Fred Blum also discussed preserving purchasing power. He will also make various revisions as a result of FAC review.

VIII. Meeting was adjourned at 9:40.