The Cameron Station Community - Financial Advisory Committee (FAC)

23 May, 2013

I. Meeting Called To Order: 7:11 pm by the FAC Chairman, Jeff Gathers.
Members Present: Mahl Avila, Harry Glenos, Liz Johnson, Kyle McKuhen
Members Absent: None
Also present was Mr. Bob Duncan, BOD Liaison

II. Approval of Agenda: The motion passed unanimously.

III. Approval of the April 18, 2013 Minutes: The motion passed unanimously.

IV. Resident Open Form: No residents attended

V. Review of April 2013 Financial Report: None of the monthly results or variances in April attracted specific comments or concerns from members. However, the chairman observed a minor inconsistency in the discussion of the Income Statement. The chairman will mention this concern to the Community Manager along with suggested alternative presentations that may clarify the comparison of actual vs. budgeted cash flows.

VI. Old Business: Investment Policy Document Update

   a. Harry Glenos, who earlier accepted an assignment to draft an alternative investment policy document to that currently in use, explained his approach to this process. The focus of his effort will be to simplify the description of the actual policy, which – by its nature – is straightforward. The intent is that the Board Treasurer, the FAC and investment managers will have a clear common understanding of the Association’s objectives, thus streamlining the administrative process and related communication. At this meeting, the FAC reviewed a 2011 draft Board Resolution that will be Mr. Glenos’s starting point.

VII. New Business:

   a. Member reappointments for Gathers and Glenos were approved and will be forwarded to the Community Manager for Board action. Continuing FAC membership is at five, leaving two vacancies. All who read this are encouraged to help in the recruiting process.

   b. 2014 Budget Schedule, included upcoming meeting dates through November 2013. Future meetings will include review of a Committee budget requests. The FAC reviewed the form to be used to document these requests, but proposed no substantive changes. The FAC will, however, encourage committee chairpersons to note expected offsetting revenue (e.g., Compass advertising sales) in completing the forms. Finally, Mr. Duncan also requested that the FAC independently consider
items for the 2014 Budget (apart from the other committee requests) that for review at upcoming August and September Board meetings.

c. **Reserve Study Proposals** (Airielle Hansford memo from 17 May 2013), including three (3) proposals for the FAC to review.

The Reserve Study is a survey done by an engineer. The survey studies the infrastructure and real estate that the HOA has to manage. Because of the scope and value of the Cameron Station infrastructure, the HOA maintains a reserve for replacements and repairs, supplementing it at least once per year. This reserve ensures the availability of funds sufficient to pay for these significant maintenance costs as the needs arise. The reserve study is redone in full approximately every three years and updated informally in interim years as part of the budget process.

It was also noted that the HOA owns more than 70 fire hydrants, which the HOA recently paid a contractor to evaluate and repair. It is important that such items and similar infrastructure details be included in the scope of the upcoming study, whichever engineering firm the HOA decides to use.

The FAC discussed the three proposals in some depth, including the number and experience of the actual engineer(s) who would conduct the inspection, whether each company had ever done such surveys on a community of Cameron Station’s size, and the apparent ability of each firm to deliver the completed study in time for incorporation in the 2014 budget.

Based on the discussion, FAC members passed unanimously a motion to recommend Reserve Advisors for this effort – based on timing, flexibility, a “fresh set of eyes”, the firm’s overall proposal.

d. **Sweep Account Recommendation** (Airielle Hansford memo from 17 May 2013) – Members unanimously passed a motion to recommend that the FAC adopt management’s proposal, creating a “sweep account” with First Associations Bank. Mechanically, the sweep account daily checks the balance and “sweeps” money into alternate federally insured accounts depending on parameters set up. The current reserve account generally holds more than $200,000 but routinely spikes above the $250,000 federal insurance limit for demand accounts. The FAC encourages the Board to consider the option in the near future to explore other providers of broad banking services, including the sweep account.

e. **Invitation to Morgan Stanley representative** - The committee intends to invite Ted Hart to a FAC meeting in the near future, but we are inclined to defer this invitation until at least one more of our open slots is filled. Other investment advisors may also be considered in the future.
f. “Transfer” of Unappropriated Owners’ Equity to another reserve account
   – The FAC also discussed the equity accounts on the Balance Sheet
   Report (of 30 April 2013). Mr. Gathers outlined a plan for the
   Unappropriated Owners’ Equity (currently at $405,853) to be adjusted to
   the previously agreed-upon target of approximately 15% of Annual
   Assessments (a figure of $322,400).

   The difference ($83,453) would be moved to an alternate account, options
   of which the FAC discussed. The FAC recommends no action on this
   matter until the Reserve Study is complete, at which point the Board will
   have an updated and more comprehensive view of future demands on the
   replacement reserve and capital improvement accounts.

VIII. Meeting Adjournment:  8:47 pm