The Cameron Station Community - Financial Advisory Committee (FAC)

20 June, 2013

I. Meeting Called To Order: 7:12 pm by the FAC Chairman, Jeff Gathers.
   Members Present: Mahl Avila, Harry Glenos, Kyle McKuhen.
   Members Absent: Liz Johnson.
   BOD Liaison Present: Bob Duncan, CSCA Treasurer

II. Approval of Agenda: The motion passed unanimously.

III. Approval of the May 23, 2013 Minutes: The motion passed unanimously.

IV. Resident Open Forum:
   Mr. Aldo D’Ottavio, who has applied for FAC membership outlined his personal and professional background. Mr D’Ottavio moved to the community in 2009, works in program management in the defense sector and recently returned from a deployment (Active Navy Reserve) in the Persian Gulf region. Mr. D’Ottavio is also a prospective Ph.D. candidate in the field of theoretical physics.

V. Review of May 2013 Financial Report: None of the monthly results or variances in May attracted specific comments or concerns from members. However, pursuant to the Community Manager’s invitation, the committee continues to consider approaches to make review of the monthly financial package more efficient for those most interested in tracking key results and trends. The chairman will summarize several additional ideas for discussion with the Community Manager.

VI. Old Business:

   Harry Glenos explained the intended purpose and scope of his proposed revisions of the CSCA Investment Policy document and led a discussion of his most recent draft. The overarching intent is that the Board Treasurer, the FAC, and the designated Investment Manager(s) will have a clear, common understanding of the Association’s objectives and operating guidelines, thus streamlining the administrative process and related communication. In this effort, it is particularly important to simplify the standards for managing the duration of investments vis-à-vis the reserve study’s schedule of projected repair/replacement expenditures.

   Mr. Glenos pointed to specific language in the draft document to ensure transparency in financial service providers’ relationships with the Association, and to explicit requirements in the document for periodic solicitation of bids from qualified providers to provide these services.

   As a next step, Mr. Gathers will take editorial responsibility for the second draft of the document, with the intent to refine it and present back to the
FAC for further review at the July meeting. Ultimately, the document will of course need final review by the Board and community management -- and by legal counsel for compliance with current Virginia statutes.

In a related issue raised by Mr. Duncan, the committee discussed short-term plans for reinvesting funds from recently matured CDs. While confirming the general wisdom of the established “duration laddering” strategy for selecting CDs, the committee supports the Treasurer’s suggestion to consider shorter-than-normal durations for investments for the rest of 2013. In light of broad market expectations that interest rates will rise significantly in the next six to nine months, the objective would be to avoid further locking in the low rates of return now on offer – and thus hasten the recovery of the average rate of return for the Association’s total portfolio.

VII. New Business:

a. **FY 2012 Draft Audit Report** – FAC members are generally comfortable with the auditor’s report as written and the covering comments from the Community Manager. Both appear remarkably consistent with comparable reports from recent prior years and thus indicate no worrisome trends. A question has been raised, however, about one section of the Community Manager’s cover memo, specifically in regard to income taxes. The memo cites verbatim a “definition” of the Form 1120 Corporate Method, which clearly states its financial advantages. However, the definition also refers to various IRS rulings that apparently require rigorous accounting procedures and documentation to maintain qualification for the corporate method filing. FAC members presume that the Association’s tax files do include these supporting details but would like confirmation of this fact and -- potentially -- an opportunity to review these materials.

b. **Process for Review of Committee Budget Requests** – Mr. Gathers and Mr. Duncan reported on recent discussions with the Community Manager and with other CSCA committee chairs about the effectiveness of recent years’ budget process in vetting committee budget requests. In general, there is a need for more direct interaction involving the full Board and the individual committee chairs. Several approaches are being considered and will be introduced for discussion at the June 25 Board meeting.

c. **FAC Member Recruitment** – The committee unanimously approved recommending Mr. D’Ottavio to the Board for final vote. If approved, the FAC will have just one remaining vacancy.

VIII. Meeting Adjournment: 8:50 pm