A Budget Meeting was held with the Financial Advisory Committee (FAC), the Board of Directors and the Community Manager to discuss the Reserve Advisors (RA) reserve study dated October 1, 2013 and its effect on the draft FY2014 Operating Budget. The meeting was called to order at 7:05 pm by Jeff Gathers, FAC Chair.

**FAC Attendance:** Jeff Gathers; Mahl Avila; Harry Glenos; Kyle McKuen (left at 8:15 p.m.)

**Board Attendance:** Robert Duncan- Treasurer; and Alvin Boone- Board Member

**Others Attending:** Colleen Hairston, Community Manager

**RESIDENTS' OPEN FORUM**
No residents attended the meeting. Colleen Hairston read the following excerpt from an email to the FAC dated 9/7/13 from Judith Henderson, Carlton Place Condominium: “The CP Association faces several years of expensive infrastructure investments and is closely reviewing our projected expenses during the current 2014 budget formulation. To this end we would like to request that our Association’s 2014 assessment be set at $148,000 in this very low inflation economy.” Mrs. Hairston indicated that she had already provided the following response: “The FAC and Board will be as conservative as possible during the budget process, but the Board must approve a budget that realistically meets the needs of the community association. Furthermore, a reserve study was recently completed for the community association and that it will play an important role in the budget process.” The members present agreed that this answer was sufficient.

**DISCUSSION ON FY14 BUDGET**
Colleen Hairston distributed copies of the draft FY14 operating budget presented by Airielle Hansford at the 8/14/13 Budget Meeting. That budget reflected a 4.93% increase in assessment income. Colleen also distributed a revised version that reflected two adjustments: an increase of $8,025 in #5340 – Payroll Taxes/Benefits/Costs (due to a recently revised CMC policy) and a reallocation of $20,000 from #6525 Community Center Improvement to #9800 Repair & Replacement Expenses (for A/V equipment). That version reflected a 5.30% increase. It was agreed that the RA Study required review and discussion prior to review of the draft budget.

**DISCUSSION ON RESERVE STUDY**
Colleen Hairston indicated the RA Reserve Study arrived electronically on 10/1/13 and that a copy was forwarded to Jeff Gathers and the Board the same day. Jeff Gathers distributed copies of Tableau spreadsheets depicting year-by-year projected replacement expenditures, both in total and allocated among major expense components, and Reserve Advisors’ proposed 30-year “funding plan.” The funding plan is a detailed illustration of projected reserve contributions, interest income, reserve
expenditures and the resulting reserve balances each year, 2014 through 2043. Notably, the October 1 version of the RA study recommended a FY 2014 reserve contribution of $305,000 – a substantial increase over the FY 2013 level of $234,000. There was a lengthy discussion regarding private street asphalt replacement shown in years 2037, 2038 and 2039. This item, which was not reflected in the prior 20-year reserve studies, causes a substantial increase in annual reserve funding levels. A number of members present expressed concern that showing asphalt replacement in those years is overly conservative. There were also discussions regarding:

- the “threshold level” (the minimum level that future fund balances should be allowed to reach) utilized in the Study,
- spreading the funding increases at different rates, specifically starting below $305,000 in FY 2014 but increasing at higher rates in the early years than the constant 2% illustrated by RA
- the need for interest income to be removed from the projection (because Cameron Station records interest as operating income), and
- that perhaps the Delaney project developer should be asked to make a one-time contribution to the reserve in consideration of its intended use of the community’s storm water management system.

It was agreed that the FAC and Management would continue to work with RA to address these and other issues before the Study can be considered “final.” Considering the timing of receipt of the Study, its “draft” state, alternative scenarios tested by the FAC Chair, and the need for the Board to adopt the FY14 budget at the 10/22/13 Board Meeting, those present concluded that the minimum level of reserve funding for FY14 should be $265,000.

CONTINUED DISCUSSION ON FY2014 BUDGET

Jeff Gathers indicated that the FAC focuses primarily on reserve funding, financial statements and audits. Therefore the committee has not typically reviewed the individual line items in draft budgets. There was a lengthy discussion regarding the amount of overall increase in FY14’s assessments that those members present thought homeowners would find reasonable. The conclusion was 2 to 3% - in line with the CPI and recent prior assessment rate increases. Speaking for the FAC, Jeff Gathers acknowledged the consensus about “targets” for assessment increases, but restated a recommendation of reserve funding in FY14 at no less than $265,000. Harry Glenos asked for clarification on the impact that “future assessment income” has on the 2013 year-end projections reflected in the draft FY14 budget documentation. Colleen Hairston provided a brief explanation and indicated that a detailed explanation would be provided via email after the meeting.

Jeff Gathers adjourned the meeting at 8:45 p.m.

Minutes prepared by: C. Hairston, CMCA, AMS - Community Manager