

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

Minutes of the Meeting of the Budget Committee

August 12, 2013

(via teleconference)

Robert Krueger called the meeting to order at 10:00 a.m. on the date above noted at the location and time specified in the notice of meeting.

Those present were:

Robert Krueger, Chair

Carl Bauer, Committee Member

Earl Monari, Committee Member

Chris Gourdie, General Manager

Carol Post, Assistant General Manager

Robert Krueger opened the meeting by asking for an explanation of the \$73,220 discrepancy referenced in the budget notes. Ms. Post explained that when a portion of the electric and water/sewer expense was moved from utilities to laundry expense, the total was not carried into the proper column and was therefore not included in the total budget. This resulted in the total operating budget being \$73,220 higher than it appeared. Using the corrected operating budget total, the amount remaining to fund the reserves for 2013 should have been \$429,543 instead of \$502,763. Earl Monari asked how the Association was making up the \$73,220 shortage, and Ms. Post explained that laundry income was about \$40,000 higher than budgeted, but that there wouldn't be the surplus to carry forward that the Association has had in prior years. Carl Bauer asked how much of a loss this would result in by the end of the year, and Ms. Post explained that, while it is impossible to get an accurate estimate due to all the unknowns, she was anticipating a loss of maybe \$10,000 to \$20,000. She explained that the Association has more than adequate funds to deal with any loss, and that such loss would help alleviate some of the accountant's concerns over the fact that surplus funds have been continuing to accumulate year after year.

Mr. Krueger then presented the budget item by item and asked for questions from the committee members. Under building maintenance and equipment, Carl Bauer asked why we are budgeting more in building payroll (\$237,322 versus \$236,907) when the estimated actual for 2013 is several thousand dollars less. Chris Gourdie explained that an employee was out on disability for a period of time, and the budget is based on each employee working all year. Mr. Bauer asked if it was necessary to budget the higher amount since the Association has been able to accomplish the work on the lesser amount. Mr. Gourdie explained that while the quality of work is the same, with the staffing shortages, it has taken longer to respond to service requests. Mr. Krueger stated that the board has to be careful not to cut services too much. Mr. Bauer indicated that he was just asking the question and that since the total budget is remaining the same, he is fine with it. Mr. Krueger also asked if any of the building department vehicles would need to be replaced during 2014, and Mr. Gourdie stated that the only equipment purchase planned for 2014 was a new riding mower.

Under HVAC, Earl Monari asked if the two air conditioning technicians are full time. Mr. Gourdie and Ms. Post explained that they are full time, but that, besides routine maintenance and new installations, their duties also include maintaining the smoke detectors, inspecting the feeder wire connections in the panel boxes and servicing all of the Association's laundry equipment. Mr. Bauer asked why \$12,000 is budgeted for medical and life insurance when the 2013 estimated actual is only going to be \$6,000. Ms. Post explained that the second HVAC tech is still on temporary status and as such is not eligible

for insurance benefits, but that he will become permanent in the future. Mr. Bauer also asked why the Association is only budgeting \$15,000 for HVAC parts when the 2013 estimated actual is \$23,000. Ms. Post explained that the 2013 figure is inflated due to a much higher than normal number of new installations. She explained that when there is an increase in that figure, there is a corresponding increase in HVAC income and vice versa.

Under grounds maintenance, Earl Monari expressed concern over the \$10,000 increase for the department and wondered, with the gradual increases through the years, if the budget was exceeding what the Association used to pay an outside contractor. Ms. Post explained that the \$10,000 increase for 2014 was due to \$10,000 being moved from the landscape reserve to operating on the advice of the accountant, and thus there was no actual increase. She stated that the Association was paying OneSource \$360,000 per year to do the landscape maintenance but also had to employ grounds employees to take care of irrigation, pressure washing, blowing, etc. She indicated that overall costs were still less doing the work in-house verses using a landscape contractor.

Under contract services, Mr. Krueger asked if \$10,000 was enough to budget for insurance deductible expense. Ms. Post indicated that those costs are impossible to project without knowing what claims are going to happen, but that \$10,000 is the Association's per-building deductible and is the amount budgeted each year.

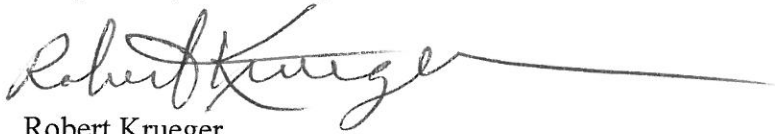
Under other taxes, Mr. Krueger asked whether the County was still charging tangible tax. Ms. Post explained that condo owners were no longer billed tangible tax on their contents, but that businesses were still required to pay tangible tax on their equipment. Mr. Bauer asked why depreciation is a part of the budget, and Ms. Post explained that it has to appear on the financial statements, but that it is not included in the total budget figure and is therefore not included in the fees collected.

Mr. Monari asked why laundry revenue is being increased from \$43,000 in 2013 to \$90,000 in 2014. Ms. Post explained that while the Association was still making the loan payments, those amounts had to be deducted from the amount of income available, since the payments don't appear on the operating statement. Now that the loan is paid off and the laundry reserve is being funded, the entire income amount is included in the budget, with the reserve allocations being "expensed" on the operating statement.

Mr. Krueger then asked if there were any other questions about the budget, to which both Mr. Monari and Mr. Bauer indicated no. Both indicated that they were comfortable with the budget as presented. Mr. Krueger asked if there was a way to simplify the explanation about the \$73,000, and Ms. Post and Mr. Gourdie indicated that they would work on it.

At 10:57, Earl Monari moved and Carl Bauer seconded a motion to adjourn.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Robert Krueger", with a long horizontal line extending to the right.

Robert Krueger
Chairman