

**Regency Budget and Finance Committee**  
**OCTOBER 20, 2016 MINUTES**

**Committee Members Present:**

Vincent De Simone, Committee Chairman  
Richard Ash  
Alan Datz  
Fred Gersten  
Gerald Krzyzkowski  
Edward Leski  
Robert Okin  
Judy Russo  
Mark Spinner

**Also Present:**

Charles Lerman, Board Member  
Stephanie Harmon, Property Manager, First Service Residential  
Ida Porfirio, Controller, Client Accounting, First Service Residential

The meeting was called to order at 3PM.

The minutes of the September 8, 2016 meeting were approved.

The Committee went into and out of Executive Session for ten minutes.

Charles Lerman highlighted changes in the 2017 Budget. The Budget includes a net increase in funding to the Reserve and Deferred Maintenance of \$204,206.00 based on Kipcon Inc. report effective January 1, 2017. Charles explained the increases are due in part for additional cost for Phases 7 and 8. Vincent De Simone requested and Charlie Lerman agreed to schedule a meeting with the Committee on November 17, 2016 to review the report.

Several Committee members expressed concern about the Budget amount of \$45,000 for the Café Management. In effect we are subsidizing a For Profit Business and may be establishing a precedent. Charles advised that the budget payment to the Cafe Manager is to increase his profit. Charles explained that based on experience with three prior Cafe Managers, it was difficult for this business to generate a sufficient profit to make it an attractive enterprise. The Board felt the Cafe was an important amenity offered to residents and paying this fee was reasonable and appropriate. The Committee recommends that the Board create and implement a policy regarding subsidizing For Profit Businesses.

Charles noted that Toll had agreed to subsidize the 2017 Budget and would make a \$695,499 subsidy payment if the 2017 actual financial results were the same as the Budget.

Stephanie Harmon explained that the \$45,000 receipt in the budget from Monroe Township was for street lighting, recycling and a nominal amount for snow removal. Such amounts are determined by the Township of Monroe ordinances for gated communities.

Gerald Krzyzkowski suggested that the Board provide commentary with the 2017 Budget to explain significant changes in individual income and expense line items. Charles Lerman assured the Committee that he and the Board had reviewed the Budget and he was very comfortable with it. He also noted that he planned to invite all Regency residents to a meeting to present the Budget and address their questions.

The Committee approved the presented Draft Budget showing a \$695,499 Toll subsidy to breakeven.

Vincent De Simone raised a question regarding whether it was necessary to include in the monthly Income Statement offsetting pass through income and expense items that had no impact on profitability. Robert Okin recommended that these items be shown in a separate section below the monthly Net Income. Ida Porfirio agreed to implement this change as soon as possible.

Vincent De Simone made several suggestions regarding reporting and accounting for various line items in the budget. Namely; timing items should be reflected in the months where they are most likely to be incurred instead of evenly throughout the year. Also appropriate accruals such be made on a monthly basis for all expenses likely to be booked at end year, such as auditing, legal and engineering cost. The budget should also include line items for Depreciation, Interest and amortization of loan payments throughout the year. Ida Porfirio agreed to send the Committee an Excel spreadsheet containing the 2017 Budget by month to facilitate the Committee's ability to reallocate expenses to the appropriate months.

Charles Lerman explained that the lease for equipment was for four years and the equipment could be purchased for \$1 at the end of the term of the lease. Vincent De Simone referred the Committee to Note 5 of the Audited Financial Statements at December 31, 2015. Such Equipment for Golf maintenance, Exercise equipment and Golf carts amounts to \$451,795.00 with ownership passing to the HOA at the end of the lease terms. Such assets are depreciated over their useful life and period interest expense is recognized for the monthly payments of the leased assets. Robert Okin recommended that the Board request the vendor to provide several options with varying monthly payments and purchase prices at the end of the lease.

Vincent De Simone suggested that the Audited Financial Statements for the last five years be included in the Financials section of the Regency at Monroe website. This would make it easier for residents to find and review the statements. Ida Porfirio agreed to scan these documents into the website. Vince also recommended that Committee members refer to these Audited Financial Statements and the Notes in conjunction with the notes provided by Ida Portfirio, attached to the agenda of this meeting. The notes Ida provided was from a meeting Bob Okin and Vincent De Simone had on 9/14/2016 with Stephanie to clarify the monthly operations of the Operating Fund actual versus budget.

Charles Lerman advised the Committee that the Board had approved the Committee's recommendation to establish a credit line with Morgan Stanley. He recently completed the required documentation and the Board could now access the credit line. The main purpose of the credit line was to provide access to cash reserves, if ever needed, on a temporary basis to meet the HOA's obligations. Robert Okin recommended that the Board require two signatures to access the credit line.

John Busco from Morgan Stanley could not attend this meeting due to an injury. Charles Lerman agreed to reschedule him to attend our Committee meeting on January 19, 2017. The focus of that meeting will be a review of the past year investments, and laddered investments based on the Kipcom Inc. timing for replacements. The last Kipcom report John had was from 12/31/2015.

Respectfully submitted,

Fred Gersten