

Regency Budget and Finance Committee

JUNE 30, 2016 MINUTES

Committee Members Present:

Jack Kaye, Committee Chair, Alan Datz, Vincent DeSimone, Richard Frank, Fred Gersten, Gerald Krzyzkowski, Judy Russo, Mark Spinner

Board Members Present:

Charles Lerman, Treasurer

The meeting was called to order at 3:30 P.M.

The minutes of the April 28 meeting were approved without comment or modification.

Structure of Committee Going Forward-

Charlie Lerman talked about his role as Treasurer and that he preferred to serve as the board liaison with the Budget and Finance Committee rather than as its Chairman. However, if no existing member wanted to have that role, he would serve as the committee chair. He explained to the Committee that he is very familiar with reviewing budgets to actuals and will be reviewing the monthly Regency financial statements. However, he will need to rely on the accountants in the committee to assist him in addressing accounting issues.

Mark Spinner asked Charlie Lerman the reason the Regency Board had not approved the recommendation the Committee made earlier in the year to implement a credit line with Morgan Stanley. The purpose of the credit line was to provide liquidity for unforeseen short-term operating needs. Mark and Vincent DeSimone explained the benefits of establishing the credit line and the Committee agreed it was needed, particularly since there was absolutely no cost to establish or maintain the line. Charlie agreed to request that the Board allow one or two representatives of the Committee along with John Busco from Morgan Stanley to present the Committee's recommendation to the Board for further consideration.

May Financial Statements-

Jack Kaye reviewed the May 2016 financial statements. He noted that the year-to-date operating surplus was \$162,347 compared to the budgeted deficit of (\$243,965). The \$406,312 positive variance was primarily due to spending \$291,000 less than expected for snow removal. He noted that if Regency continued to be on budget for the remainder of the year Toll's 2016 subsidy would decrease to \$135,000 from an originally budgeted \$541,000. He also noted that the Replacement Reserve was at \$2.9 million at May 31, 2016.

Vincent DeSimone requested an explanation of the changes in the Replacement Reserve since January 1, 2014. Stephanie Harmon was asked to join the meeting. Stephanie listed the major projects reducing the reserve for this period which included resurfacing the pool and parking lots and replacing pavers around the pool. Stephanie explained that she was in the process of updating the reserve study and would be sending the data soon to Kipcon. She explained that it was important to keep in mind that there was several reserve accounts. The Deferred Maintenance Reserve was reduced for expenditures with a useful life of three to five years and the Replacement Reserve was reduced for expenditures with a useful life of greater than five years. The Operating fund is used to repair assets that require maintenance sooner than every three years.

Future HOA Fees and Reserve Funding-

Jack Kaye led a discussion regarding the Board's and the Committee's responsibility to regularly project the cost of future HOA monthly fees and to identify what can be done to mitigate/contain/minimize future increases. Jack suggested that his PROJECTION MODEL be updated each year after finalization of the budget to determine the impact of future carrying costs for the community. The Model identifies many areas where the Board can effectuate saving which will enable future increases to be kept to a minimum. The Committee discussed the impact of changing the reserve funding methodology from a FULL FUNDING to a LEVEL FUNDING method as well as the impact of eliminating Comcast and possible future budget surpluses.

Transition-

Jack asked Charlie to update the Committee on the Transition. Charlie indicated that he anticipated that in the next couple of months the Board expected a response from Toll on the community's DEFECT REPORT and then negotiations would begin. Jack pointed out that it was very important to protect the existing Reserve Funds which will be impacted by Transition Settlement negotiations.

Contract Renewals-

Jack indicated that the LMS contract was up for renewal and that the new Committee will work with the Board to develop RFP's and make a decision as to how to move forward with the services currently provided by LMS.

Presentation of the Annual Budget to the Community-

Charles Lerman mentioned that he planned to continue the practice started by Jack Kaye of having an Open annual meeting for Regency residents to discuss the annual budget. After

discussion on whether it was necessary to have a separate meeting to discuss the year-to-date financial results, it was agreed that this discussion could be held at the annual budget meeting when both can be communicated at the same time.

Farewell to Jack Kaye-

Fred Gersten, on behalf of the Finance Committee, thanked Jack Kaye for his excellent work as Treasurer and Chair of the Finance Committee. Jack had shown great knowledge and dedication in performing his responsibilities. Jack's work provided a strong foundation to guide the Finance Committee and new Treasurer to enable them to perform their responsibilities on behalf of the community.

Future meetings-

Jack indicated that this was the last meeting of the Committee for this year. He encouraged all members to apply again for next year as he believes this was the most knowledgeable committee he has worked with during the three years he has served on the committee. Charlie also encouraged all existing members to re-apply for next year and indicated that he would see to it that they get back on. He indicated that if other qualified new candidates applied, he would likely increase the size of the committee by at least one person to give other residents a chance to participate.

There being no further business to be discussed, the meeting was adjourned at 5:30.

Respectfully submitted,

Fred Gersten