

Minutes

Finance Committee

July 21, 2016

Valhalla Party Room 6:00 pm

In attendance were Wayne Jasperson, Carol Sabatke, Pam Dowd, Jacob Petersen, Laxman Rajput, and Judy Ohly

1. Insurance deficiencies- Sean Smith from AFG has evaluated our coverage and has recommendations. Pgs 1-3

This committee recommends bringing the AFG (Associated Financial Group) presentation to the MB to discuss the liability exposure that was identified by AFG. See attached summary and exposure worksheet.

2. Reserve Account Transfers

Transfers were approved. pg 4

3. Tracking of restricted funds

A first draft was presented. Jake and Judy will continue to work on this report to be presented at the next meeting.

4. Finance expectations for 2017

Due to the rise in material and labor costs, we expect annual expenses to increase 5% to 8%. HOA fees will likely need to increase just to pay the monthly bills. More detail will come as we work on 2017 numbers.

5. Placing Officer Compensation in the Budget

The committee would like to present the pros & cons to the Master Board for their consideration. pg 5

Next meeting is scheduled for October 20, 2016 at 6:00 p.m.

Minutes respectfully submitted by Judy Ohly

Valhalla Management Association

Issues Summary

7/21/16

Property:

- Deductible- In the event of a wind or hail storm to all buildings, \$420,000 dollars would be your out of pocket expense.
- Agreed amount endorsement is missing- Coinsurance clause is in effect.
- Miscellaneous tools/equipment not listed- Providing a "catch all bucket" for all the tools around the property.
- 50k building Ordinance or Law Increased Cost of Construction- If the city comes in and states that Valhalla needs to upgrade sprinklers, elevators etc. 50k is all your policy would provide. Typical sprinkler purchase and installation into a single 3 story building could cost in the \$150k range.
- 10k Sewer and Water Back Up- In the event of a pipe burst or sump pumps, 10k would be provided. Losses have a wide range but could be as high as a total loss.

Commercial General Liability:

- Adding a per location aggregate would widen your limit to each location for a minimal cost.

Crime/Managerial Coverages:

- We discussed your limits as being relatively low or missing completely. Our goal would be to present you with options, define what each type of coverage actually covers, allowing you to make the educated decision on what risks you would like to insure vs self-insure.
- We would also want to point out the difference between 1st and 3rd coverages, if you remember our conversation, 1st party is when an employee sues a boss, 3rd party is when an outside party or owner of a property sues the association because of an employee.

Umbrella:

- Including employer's liability to your umbrella for a very minimal cost.

Tenant Issuance Required Limits:

- You implementing loss assessment coverage is a great start! As we discussed, adding personal liability limits would be something we would bring to the table, we would have one of our personal lines consultants down to your facility to walk through options to present to your tenants if you desired.

Expiration Date:

- As of today, you have 4 different dates ranging from 1/1 to 4/18. Per our conversation moving it to a 9/1 or 10/1 would allow you to be more accurate in setting your budget for the upcoming year. We would also recommend 1 date for all your insurance programs.

Valhalla Deductible Exposure

Location	Address	Building(s)	Deductible	Total Deductible Exposure
1	366 Elton	2	\$ 5,000	\$ 10,000
2	362 Elton	2	\$ 5,000	\$ 10,000
3	358 Elton	2	\$ 5,000	\$ 10,000
4	354 Elton	2	\$ 5,000	\$ 10,000
5	2011 Viking	2	\$ 5,000	\$ 10,000
6	1931 Viking	2	\$ 5,000	\$ 10,000
7	1923 Viking	2	\$ 5,000	\$ 10,000
8	1911 Viking	2	\$ 5,000	\$ 10,000
9	521 19th	2	\$ 5,000	\$ 10,000
10	535 19th	2	\$ 5,000	\$ 10,000
11	607 19th	2	\$ 5,000	\$ 10,000
12	625 19th	5	\$ 50,000	\$ 250,000
13	342 Elton	1	\$ 5,000	\$ 5,000
14	2100 Valkyrie	1	\$ 50,000	\$ 50,000
15	342 Elton	1	\$ 5,000	\$ 5,000
TOTALS		30	\$	420,000

July
Checking- Required balance by building

Building	Units	2016 budget	2 month reserve	Current checking balance	July Transfer to Cking	July Transfer to Res	Current Reserve Bal
Building 1	18	\$73,624.85	\$12,270	\$25,962	\$777	\$13,692	\$16,704
Building 2	24	\$96,091.42	\$16,014	\$17,975		\$1,961	\$19,345
Building 3	24	\$91,875.08	\$15,312	\$17,500		\$2,188	\$19,933
Building 4	24	\$94,282.23	\$15,714	\$20,423		\$4,709	\$35,195
Building 5	30	\$120,544.00	\$20,090	\$21,009		\$919	\$54,078
Building 6	18	\$75,306.87	\$12,550	\$15,601		\$3,051	\$27,588
Building 7	18	\$70,011.83	\$11,668	\$10,891	\$777		\$50,621
Building 8	30	\$114,644.00	\$19,106	\$16,091	\$3,015		\$20,709
Building 9	24	\$94,354.00	\$15,724	\$18,425		\$2,701	\$24,708
Building 10	24	\$95,114.15	\$15,852	-\$5,251	\$21,103		\$157,101
Building 11	24	\$86,394.00	\$14,398	\$28,861		\$14,463	\$123,179
Building 12	64	\$267,144.00	\$44,524	\$10,825	\$33,699		\$32,650
Building 15	60	\$257,932.00	\$42,988	\$50,691	\$32,000	\$7,703	\$95,079

o These transfers took place in August.

The following is a list of the meetings giving consideration to the "officer compensation" issue:

January 25, 2016 Executive Committee recommended no more president pay & stipend and asked the Master board to follow.

February 16, 2016 The Master Board passed (7 to 5) to no longer pay a stipend to the President and Directors

July 21, 2016 The Finance committee approved to offer additional thoughts to the Master Board to reconsider pay to Officers. The following thoughts were submitted and gathered after the meeting.

Thoughts in favor of officer compensation

- People may be more willing to serve especially president and secretary (if doing recording)
- Officers may be more dedicated and obligated to perform their duties
- We will get people who want to do a good job. Valhalla Board could clearly define job duties and expectations and list what happens when you don't meet expectations.
- People can make money for extra work done for their Valhalla Association
- May attract the talented people with skills to perform job duties.
- It will incentivize work, Valhalla will not have to rely on charity.

Thoughts in opposition of officer compensation

- People might want the job for the wrong reason
- Officers might feel a need to be too involved to justify their title and compensation therefore micro managing (we have a professional staff)
- There has never been a problem in the past getting qualified members to fill the positions other than president and recording secretary and it was never a big problem
- Too many people wanting the money, but do little work.
- It is not real common for board members of nonprofit organizations to be paid
- More accounting such as W-2 forms. All income must be reported and our insurance provider will regard all those paid as part-time employees
- It will cost money
- Enforcement- How do we enforce duty obligations? Example: We pay the officers- make education requirements such as "how to run a meeting" or "Director Responsibilities". They don't follow through. What is the recourse?
- Where is the line between employee and volunteerism?
- In some situations, an officer may have spent many hours accomplishing a unique goal for the organization as a whole. It would be appropriate for the Master Board to give this volunteer a "financial token of appreciation". This is not something that would happen every year. Hiring and mentoring a new General Manager is a good example!