

Agenda

Finance Committee

September 22, 2016

Valhalla Party Room
5:30 pm

- Reserve Worksheets
 - Rec Building
 - Common Equipment
- Tracking reports for assessments, payments for reserve items and reserve transfers
- Credit card and “on line” payment options
- Response from Heartman Insurance on the “Issue Summary”
- Reconsideration of \$9,000.00 for 2017 audit

**Finance Committee Meeting
September 22, 2016**

A meeting of the Finance Committee was held Thursday at 5:30 p.m. Those in attendance were Wayne Jaspersen, Brian Kroeger, Laxman Rajput, Jacob Peterson, Pamela Dowd, Matt Brown and Judy Ohly.

Reserve Worksheets:

The committee with the assistance Judy Ohly and Matt Brown reviewed the Replacement Reserve Worksheets for Valhalla Recreation Building and Common Equipment. Adjustments were made as follows:

Recreation Building Worksheet

1. Pitched Roof & Mansard Roof – no cost adjustment.
2. Flat Roof – no cost adjustment.
3. Mechanical Above Pool/Dehumid/Ht/Cl – no cost adjustment.
4. Party Room Heat/Cool – no cost adjustment.
5. Exercise Room Heat/Cool – no cost adjustment.
6. Front Utility Heat/Cool – no cost adjustment.
7. Men's Dressing Room/Sauna – no cost adjustment. Stahl is rusted and needs replacement 2016
8. Women's Dressing Room/Sauna – no cost adjustment.
9. Exercise Equipment & Room – no cost adjustment. One piece of equipment not working- replacement may be necessary
10. Party Room – no cost adjustment.
11. Stucco Seal & Paint (exterior) – no cost adjustment. Added 2 years remaining
12. Common Area Glass – no cost adjustment.
13. Indoor Pool Glass – no cost adjustment.
14. Cement – no cost adjustment.
15. Maintenance Garage – no cost adjustment.
16. Interior Paint of Indoor Pool Room – no cost adjustment.
17. Outdoor Pool Fence & Gates – no cost adjustment.
18. Parking Lot Retaining Wall – no cost adjustment. Adjust remaining life to 3. Repair needed in 2016- est \$2,000
19. Office Retaining Wall – no cost adjustment.
20. Outdoor Pool Retaining Wall – no cost adjustment.
21. Parking Lot Seal Coat and striping – Reserves to be -0-. This item is on an accelerated plan.
22. Parking Lot Overlay – Reserves to -0-. This item is on an accelerated plan.
23. Indoor Pool – no cost adjustment
24. Outdoor Pool – no cost adjustment.
25. Pool Access Reader System – no cost adjustment
26. Security Surveillance Cameras – no cost adjustment

Common Equipment Worksheet

1. X729 J. Deere Tractor & Equipment – Increase to \$20,000 12 lifetime years- 4 remaining.
2. BobCat – Increase to \$40,000, 20 lifetime years- 0 life remaining
3. Sander – no cost adjustment.
4. Plow – no cost adjustment.
5. Toro Mower Model GTS – no cost adjustment- Replace in 2016 and re-set reserve to -0-

6. Ariens 8 HP Snowblower/Brush – This will be replaced with an Ariens snowblower in 2016. The cost will be \$1300. and will have a 5 year life
7. Gravely 8 HP Snowblower/Brush – no cost adjustment.
8. Poulan Snowblower – no cost adjustment
9. 2009 Ford Ranger Pickup Truck- no cost adjustment
10. 2010 Chevy Pickup Truck – no cost adjustment.
11. Chevy 3500 Plow Truck – no cost adjustment.
12. 4 Computers – no cost adjustment
13. Office Phone System – Replace in 2016- cost will remain the same
14. Maintenance/Office Communication System – Delete from worksheet. Walkie-Talkies will not be replaced.

Additional 2017 budget recommendations:

- \$? The maintenance crew is due for replacement tablets. Cell phones would better to accommodate their needs as they currently use their personal phones for tenant/owner communication and pictures that support their work orders. Laxman will price the phones (Sam's Club or Best Best) to include in the 2017 budget.
- \$1500. New glass and shade for in the windows in the maintenance garage.
- \$2,000. Cover for the outdoor pool equipment.

Tracking Reports:

Additions to the current Propertyware reports will now include special assessments in "non-operating income" and reserve items and reserve account deposits in "non-operating expense". No additional reports will added at this time.

Credit card and "on line" payments:

This committee supports this additional payment option for owners. The cost of these options is passed on to the user NOT Valhalla.

In 2017 the ACH withdrawal for HOA fees will be moved up to the 5th of each month.

Response from Heartman Insurance on the "Issue Summary":

This committee recommends no change to our current insurance.

Reconsideration of \$9,000 audit for 2017:

This committee recommends not spending this money in 2017 and table the audit for reconsideration in 2018.

The 2016 budget includes an Ariens 8 HP snow blower for \$3255. Matt would like approval to purchase an Ariens Snow Blower for \$1200 and use the remaining money for Bobcat tires. This was approved.

This committee recommends replacing the gas grills with charcoal grills when replacement is needed due to cost, safety, maintenance, and gas waste.

**2016 REPLACEMENT RESERVE WORKSHEET
VALHALLA RECREATION BUILDING**

ITEM	YEAR PURCHASED	COST	LIFETIME YEARS	REMAINING LIFE-YEARS	ANNUAL RESERVE	RESERVE REQUIRED
1 PITCHED ROOF & MANSARD ROOF	2009	18,000.00	30	23	600.00	4,200.00
2 FLAT ROOF (800 SQ FT)	2009	18,000.00	20	13	900.00	6,300.00
3 MECHANICAL ABOVE POOL/DEHUMID/HT/CL	2008	85,000.00	30	22	2,833.00	22,664.00
4 PARTY ROOM HEAT/COOL	2008	6,000.00	15	7	400.00	3,200.00
5 EXERCISE ROOM HEAT/COOL	2001	6,000.00	15	0	0.00	6,000.00
6 FRONT UTILITY HEAT/COOL	2001	6,000.00	15	0	0.00	6,000.00
7 MEN'S DRESSING ROOM/SAUNA	1998	10,000.00	15	0	0.00	10,000.00
8 WOMEN'S DRESSING ROOM/SAUNA	2004	10,000.00	15	3	667.00	8,004.00
9 EXERCISE EQUIPMENT & ROOM	2008	15,000.00	10	2	1,500.00	12,000.00
10 PARTY ROOM	2011	20,000.00	15	10	1,334.00	6,670.00
11 STUCCO SEAL & PAINT (ext.)	1987	14,000.00	30	1	467.00	13,543.00
12 COMMON AREA GLASS	2008	50,000.00	30	22	1,667.00	13,336.00
13 INDOOR POOL GLASS	2001	47,250.00	40	25	1,181.00	17,715.00
14 CEMENT	1998	67,000.00	25	7	2,680.00	48,240.00
15 MAINTENANCE GARAGE	1990	94,500.00	100	74	945.00	24,570.00
16 INTERIOR PAINT OF INDOOR POOL ROOM	2009	10,500.00	10	3	1,050.00	7,350.00
17 OUTDOOR POOL FENCE & GATES	2003	34,000.00	30	17	1,134.00	14,742.00
18 PARKING LOT RETAINING WALL	1990	15,000.00	28	2	536.00	13,936.00
19 OFFICE RETAINING WALL	1996	25,000.00	20	0	0.00	25,000.00
20 OUTDOOR POOL RETAINING WALL	2003	17,500.00	30	17	584.00	7,592.00
21 PARKING LOT SEAL COAT & STRIPING	2009	5,000.00	5	0	0.00	0.00
22 PARKING LOT OVERLAY	2006	38,000.00	12	2	0.00	0.00
23 INDOOR POOL	Refurb 1996	20,000.00	21	1	952.00	19,040.00
24 OUTDOOR POOL	Refurb 2009	70,000.00	10	3	7,000.00	49,000.00
25 POOL ACCESS READER SYSTEM	2013	8,500.00	7	4	1,215.00	3,645.00
26 SECURITY SURVEILLANCE CAMERAS	2015	5,000.00	5	4	1,000.00	1,000.00
TOTALS		715,250.00			28,645.00	343,747.00

REQUIRED ANNUAL RESERVE \$28,645.00 DIVIDED BY 382 UNITS = \$74.99 x 18 UNITS = \$1,350.00

TOTAL 2016 REQUIRED RESERVE \$343,747.00 DIVIDED BY 382 UNITS = \$899.86 x 18 UNITS = \$16,198.00

2016 REPLACEMENT RESERVE WORKSHEET
VALHALLA COMMON EQUIPMENT

ITEM	YEAR PURCHASED	COST	LIFETIME YEARS	REMAINING LIFE-YEARS	ANNUAL RESERVE	RESERVE REQUIRED
1 X729 J. DEERE TRACTOR & EQUIP.	2008	20,000.00	12	4	1,667.00	13,336.00
2 BOBCAT	1994	40,000.00	20	0	0.00	40,000.00
3 SANDER	2011	6,000.00	20	15	300.00	1,500.00
4 PLOW	2012	7,000.00	15	11	467.00	1,868.00
5 TORO MOWER MODEL GTS	1999	578.00	5	0	0.00	578.00
6 ARIENS SNOWBLOWER	2016	1,300.00	5	5	260.00	0.00
7 GRAVELLY 8HP SNOWBLOW/BRUSH	2005	3,255.00	5	0	0.00	3,255.00
8 POULAN SNOWBLOWER	2013	450.00	5	2	90.00	270.00
9 2009 FORD RANGER PICKUP TRUCK	2015	10,000.00	10	9	1,000.00	1,000.00
10 2010 CHEVY COLORADO PICKUP TRUCK	2009	20,000.00	12	5	1,667.00	11,669.00
11 CHEVY 3500 PLOW TRUCK	2012	35,000.00	12	8	2,917.00	11,668.00
12 4 COMPUTERS	2014	7,000.00	5	3	1,400.00	2,800.00
13 OFFICE PHONE SYSTEM	2016	4,500.00	7	7	643.00	0.00
TOTALS		155,083.00			10,411.00	87,944.00

REQUIRED ANNUAL RESERVE \$10,411.00 DIVIDED BY 382 UNITS = \$27.25 x 18 UNITS = \$491.00


TOTAL 2016 REQUIRED RESERVE \$87,944.00 DIVIDED BY 382 UNITS = \$230.22 x 18 UNITS = \$4,144.00

Bldgs. 1, 6, 7

Income Statement Budget Comparison Summary

Month Ending 09/30/2016 Fiscal Year To Date 09/30/2016 Annual 01/01/2016 - 12/31/2016

Account #	Account Name	Actual	Budget	Difference	YTD Actual	YTD Budget	YTD Difference	Annual Budget	Annual Remaining
6155	Office Expenses	\$8.64	\$63.15	-\$54.51	\$180.70	\$428.50	-\$247.80	\$604.50	\$423.80
6156	Contracted Office Supp/Services	\$49.82	\$203.45	-\$153.63	\$793.05	\$989.22	-\$196.17	\$1,365.22	\$572.17
6160	Office Equipment	\$0.00	\$0.00	\$0.00	\$140.89	\$353.40	-\$212.51	\$353.40	\$212.51
6165	Intercom/Office Phone	\$0.00	\$51.20	-\$51.20	\$417.64	\$888.87	-\$471.23	\$1,042.47	\$624.83
6170	Cell/Tablets	\$0.00	\$11.23	-\$11.23	\$90.32	\$111.56	-\$21.24	\$145.25	\$54.93
6175	TV Service	\$0.00	\$1,078.99	-\$1,078.99	\$8,684.09	\$9,710.91	-\$1,026.82	\$12,947.88	\$4,263.79
6180	Miscellaneous Expenses	\$1.16	\$75.88	-\$74.72	\$108.63	\$155.23	-\$46.60	\$213.22	\$104.59
6185	Loan Payment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6190	Uniforms	\$0.00	\$2.36	-\$2.36	\$68.17	\$153.86	-\$85.69	\$232.46	\$164.29
Total Administrative Expenses		\$1,836.95	\$4,700.21	\$2,863.26	\$43,803.16	\$47,803.76	-\$4,000.60	\$63,543.08	\$19,739.92
6800	Tax Expense	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6900	Bad Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Expense		\$2,965.83	\$8,052.51	-\$5,086.68	\$87,058.70	\$88,725.84	-\$1,667.14	\$114,644.35	\$27,585.65
Net Operating Income		\$6,371.10	\$1,749.91	\$4,621.19	\$948.69	-\$247.56	\$1,196.25	\$3,778.90	\$2,830.21
NON-OPERATING INCOME									
7100	Bank Interest	\$0.00	\$0.00	\$0.00	\$139.85	\$66.81	\$73.04	\$66.81	-\$73.04
7500	Special Assessments	\$2,540.92	\$520.00	\$2,020.92	\$22,251.24	\$21,445.11	\$806.13	\$21,445.11	-\$806.13
8000	Miscellaneous Credit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Non-Operating Income		\$2,540.92	\$520.00	\$2,020.92	\$22,391.09	\$21,511.92	\$879.17	\$21,511.92	-\$879.17
NON-OPERATING EXPENSE									



E-pay is now free for Valhalla Management through Propertyware!!

With this offering, our Propertyware subscription fees are reduced by \$199 a month (\$210. New monthly fee) Starting September 1, 2016

Owners and garage renters will now be able to access their ledger through our website portal and start paying for the fees. We will add a "renter log-in" for those renting a garage.

Resident Direct Services will provide the following payment options to owners and renters:

\$1.95 for an "on line" payment either one-time or re-occurring.

2.95% for a credit card payment

This option will be available starting October 1, 2016

I will also be adding alerts to owner email address:

1 week prior to payment due date

Payment late alert- will auto generate late fees

Payment received alert

Payment returned alert- \$20 fee for each returned item

I will get an email alert if someone signs up for auto pay

I can also set up (through admin) accounting preferences- order of payments

Resident Direct Services will give us the tools to market this campaign!

They also call owner 3 times for NSF payments

Valhalla Management Association

Insurance Inquiry

Heartman

Property:

1. To cost control the current terms renewal the insurance company needed to increase the property deductible to mitigate the cost in the event of a large wind/hail loss. This was initially proposed as a renewal option with all buildings under the new higher deductible but was not a feasible option for the residents of the non-high rise structures would suffer a larger proportional (per capita/ per building) deductible expense than the high rises.

To keep the possibility of an assessment that fair with all residents the decision was made to just place this criteria of a \$50,000 wind/hail deductible on just the two high rise buildings and leave the smaller buildings with a \$5,000. This change was made in the last week of the bid process and did not have a reflection in the policy until after the board's decision to proceed. The insurance company released the policy with the higher deductible also applied to the high rise garages in error, it was corrected from a request in March of that terms first year.

Unfortunately the original policy shows this information for the entire term (3 years) and is only corrected by supplemental endorsements. The total wind/hail deductible is \$240,000 instead of \$420,000 as depicted.

2. The agreed amount endorsement for older property always requires an certified appraisal every few years at the discretion of the carrier and that's a big unknown. An appraisal would be very expensive...it could be over \$50,000. Bob had reviewed this many years ago with board and we decided to go with a blanket building and contents so if one building happened to be underinsured in a loss, the other buildings would fill in the necessary coverage for that location from the total amount insured. The insurance company has inspected the premises many times and feels the limit of 39 million is adequate, but we would recommend that a reconstruction cost appraisal to certify this value is a good idea.
3. Since Valhalla's Maintenance Staff don't do work offsite for others it was decided to include Misc. tools and equipment in the blanket contents of \$173,000 no matter where they are on the premises subject to a \$5000 deductible. This is a cost savings to your policy, however, you can look at a tool and equipment for items that will leave the premises on occasion. Normally the rate is 1.5 to 2% of value or for a \$15,000 "catch all bucket" would be around \$300.
4. The \$50K of building ordinance coverage applies to each building not as a total for the whole property. To increase this to \$150K, it would raise premiums roughly around 4%.
5. On the 10K Sewer and water back up again this is per building limit, not a total for the whole policy. A burst pipe as mentioned is already covered by the property coverage. This coverage

only gives "back up" coverage from drain or sewer pipe with the resultant water damage. If 10K per building is not sufficient, it can be increased to let's say \$50,000. This would increase premiums around 2%.

Commercial General Liability:

6. Cincinnati is not able to increase the general liability to per location aggregate due to reinsurance treaties. Keep in mind that the liability is at \$11,000,000 currently which should be adequate to cover to cover a horrendous loss. The swimming pools probably represent the largest exposure that Valhalla has.

Crime/Managerial Coverages:

7. The association is carrying a \$450K bond to cover theft of association dues. This is a separate policy. We have recommended in the past that this limit should cover 3 months of dues.
8. As indicated there is managerial coverage for wrongful acts by the board but it does not include EPLI. This is something that can be added if the association adds harassment type language to the employee handbooks. For limits of \$1,000,000 this normally runs around \$80 per employee with a \$1000 MP. Third party liability can be added to this endorsement at a minimal cost.

Umbrella

9. The umbrella was corrected over a year ago to include the employer's liability, it also should be known that the workers compensation line was moved to the same company this term for continuity and cost savings. This was an original policy misprint made by the carrier.

Tenant Issuance Required Limits

10. Loss assessment should be mandatory for all owners, even if the owner is renting the apartment out. It is available in the market and is not expensive although some companies will not write it for an absentee owner.

We have stressed at previous meetings that loss assessment is a way to recoup some of the deductible expenditures that the association may face. We have sent out information on this with a notice from the board. For any new owners and their agents, we still field many calls asking about the loss assessment and will continue in that effort. We would be happy to work with the board and management to enact procedures to apply to Valhalla as a whole so every individual has the same understanding of those requisites.

If you would like Heartman to assist in a more direct handling of personal policies we can assign a separate Heartman team to work with. Direct soliciting was not done in the past as it can be uncomfortable to have the commercial agent represent the master board and conterminously their resident/tenant in a loss or insurance dispute.

Expiration Date:

11. The various renewal dates have been in existence a long time. Moving the insurance to one date has no rate advantage and would create a large billing disruption and possible higher premiums if you cancelled a 3 year contract for example.

Having various dates is the natural byproduct of moving your insurance around to control cost, we just moved your workers compensation line from an "off date" to both save money and line it up with the master policy term. We always should strive for one date when feasible. However, insurance companies publish rates for various lines at many different times during the year an example is when we cannot ignore a large savings for you if a more competitive rate is published for say your auto in February 1 and a different company has a lower rate with your package 3 months later. If we wait until your annual renewal date we would miss the opportunity to capture the several months of lower rates like these to jump on when they become available.

Cincinnati Insurance which has been your carrier the past 20 +years has offered coverage at a very reasonable cost and has given Valhalla a stable base when previous carriers would take on the risk and then the next year pull out have the condominium business or raise premiums by a huge margins. Cincinnati is rated A+ by BESTs and has been our best carrier in handling claims fairly and promptly. They are our only carrier that offers a 3 year no change in premium contract.

Valhalla Management Association
AFG
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.

Audit Thoughts

Finance Committee:

I do not support an audit of the Valhalla Accounting System as I feel the price far exceeds the benefits.

1. Our software program balances monthly to the penny with our bank accounts. This **balancing process is conducted within the software program- not manually**. If a check is deleted, the transaction is deleted.

The Valhalla Office has **checks and balances** in place:

1. Sam writes the checks and enters them into the system. I conducts the monthly reconciliation for all accounts.
2. All directors have the ability to see transactions on their building's checking account in real time.
3. Every owner has "on line" access to their ledger. Payments not credited would quickly be noticed.

Access to data:

The way companies get into trouble is when only a couple of people have access to data. At Valhalla we have **382 owners with access to unit data 24/7**. There are **52 directors with the highest access of association data 24/7**.

With all of these safeguards in place, the **risk is very low** if possible at all for a fraudulent action to be missed by all of us.

We also have insurance to protect Valhalla from a loss from crimes. The price of an audit would exceed the price of the insurance deductible.

There would be a heavy demand on staff time for an audit of this magnitude. This would be unproductive time unless the goal is to revise our accounting system to give us data we currently lack. Do any Directors feel they are lacking information?

In the HOA arena, I have never heard of an Association that has PAID for an audit. Government agencies and 501c3 non-profits must provide audits as is required by law (and that is also why they are required to have signed "conflict of interest" statement on file.

It is OK to tackle a problem when recognized, but I have enough to do without inventing problems.

Judy Only, general manager