

**AUDUBON TRACE CONDOMINIUM ASSOCIATION  
OPEN BOARD MEETING  
Monday, May 14, 2012**

Board Members present:      Leonard Simmons                      Stephanie Prunty  
   Pat Traina                                      Teva Ostarly  
   Sara Bugbee

Staff present:                      Tim Munch                                      Jeff Adams

I. Meeting called to order by Lenny Simmons at 7:00pm at the Golden Age Center.

II. Property Manager's Report – Tim Munch

- Discussion of insurance assessment coverage for weather incidents. It has come to Tim's attention that the previous \$1,000.00 special assessment coverage allowed by some homeowner's insurance policies may have been increased to \$25,000.00 for a minimal increase to policy holders. Tim suggests that we all check with our insurance agents to find out what is offered. Tim stressed that this would only be available if ATCA made a claim for damages from wind, hail or a named storm requiring a special assessment.
- **Maria Zabalaoui (#707)** – Spoke with State Farm and they are not writing any condo coverage for wind and hail and they are not writing condo coverage. Lenny advised calling insurance agent to inquire what can be done.
- **Joe Rotolo (#1501)** – He has State Farm and was able to increase his special assessment coverage to \$25,000 for just \$13.00.
- **Lenny** – advised everyone to contact their agents.

III. Budget/Finance Committee – Teva Ostarly and Stephanie Prunty

A. Introduction of Committee Members

- Teva opened by thanking the Committee for their hard work, adding that this was not an easy project - the increase in insurance caused serious considerations and several meetings to come up with the proposed budget to be presented tonight. Teva then introduced the Committee members:

Tom Covington  
Devin George  
Linda Harang

Suzanne McKamey  
Teva Ostarly

Gary Vincent  
Stephanie Prunty

Teva stated the Committee did the best they could with what they had to work with, recognizing that the Board has a right to change. Remember, this is the Committee's PROPOSED budget - Board can cut, re-instate and/or change it. Because of the increase in insurance, the Board wanted the Committee to make this presentation to homeowners.

Teva then turned over the meeting to Linda Harang.

## B. Presentation of Committee's 2012-13 Budget Recommendations

- Linda opened the presentation by explaining that State Farm dropped wind and hail coverage for ALL condominiums in the Gulf Coast Region and that it was imperative that ATCA obtain Class A coverage from another company. Eustis Insurance was able to provide that coverage through a consortium of companies, costing us \$247,000 in an up-front payment. State Farm had previously, for the past 20 years, allowed us to pay monthly which was covered in monthly operating costs, which from a cash flow point fit in with our cash flow process. We did not have \$247,000 available in either the Operating or Savings Accounts so this up-front cost had to be taken out of the Reserve Account. The Reserve Account is not an account to be used for recurring expenses.

Reserve Account has 2 purposes:

- 1) Meet emergency deductibles; a claim for a liability incident or fire for which we have coverage;
- 2) Pay for capital expenditures/investments - i.e. North Drive, redo main sewer line. The new truck purchase was a capital expense: non-recurring so therefore would not come out of Operating Account.

There is a \$147,000 difference between State Farm and Eustis. If that were added on top of our current operating budget, it would result in a **15.7%** increase in the operating budget and an increase in monthly dues. Challenge of the Budget Committee was how to best provide services and amenities we're accustomed to having at Audubon Trace and at the same time absorb the increase in insurance premium and if we have to come up with an increase to keep it as low as possible. **37.95%** of our Operating Budget is now taken up by insurance. The Committee's proposed budget increases the Operating Account from \$951,500.31 to \$1,001,588.42 – an increase of \$50,088, or **5.2%**.

A copy of the Budget Committee's "Summary of Proposal" handout is attached to these minutes.

- Linda then addressed the questions previously submitted via email by **Lisa Tetlow (#1704)** to the Board via email:
  - Q:** "Why are there separate items for "Accounting \$8400" / "Accounting-CPA \$6250" and "payrolls processing \$2500"? What are works involved and why not combine?"
  - A:** No change in budget – we have an offsite bookkeeper, Tara Copleman, who processes our billing and our Profit and Loss statements. CPA required to prepare and file our annual audit and tax returns. Also, when we have an actual election, that is, when there are more people running than positions available, ballots are sent in to the CPA for tabulation and verification of ownership. We use Paychex for payroll processing, quarterly tax reports and W2s. Tim is looking into another similar service at a lower cost.
  - Q:** "Dues & Subscriptions – what for? Necessary?"
  - A:** No change from last year. \$500 for subscription to Times Picayune and \$350 for membership in Institute of Real Estate Managers.
  - Q:** "Office: What exactly does this \$5000 pay for? What office equipment was/will be bought last year and next year? Any left over from last year's budget?"

- A:** It was used – supplies – copy paper, toner, printer ink, ordinary office supplies for the year. This is why Manager tries to use electronic communication as much as possible.
- Q:** “Answering Service: Thought there was a consensus at last year’s budget meeting to discontinue this.”
- A:** No such discussion at last year’s Budget Committee meeting; no such consensus at last year’s Annual meeting. This year’s Committee voted 6 to 2 to keep this in the budget for the next fiscal year.
- Q:** “Meeting Room Rental: since \$5000 not spent this year, most of this could offset insurance”
- A:** In previous budgets, this was under the title “Public Relations” and was used for room rental; trees, decorations, refreshments for Christmas party and Annual meeting. Budget Committee cut this to \$600 for room rental only – no money is allocated for any parties or social events. Could be eliminated if we go back to meeting at the South Pool.
- Q:** “Employee Benefits: can we really afford to pay dental? How many people does health cover?”
- A:** Dental costs \$1,937/year and the Committee eliminated it – employees said they would pay it. Final decision has not been made. All 7 employees are full time so all 7 are covered.
- Q:** “Payroll tax expenses: Why did this increase by \$18,481?”
- A:** It didn’t go up. This is the result of a major change in how the budget document is prepared and how the categories are described. Last year’s amount for this same category was listed as \$26,000 – last year the Budget Committee “rounded off” this amount. This year, the Committee used the actual amount which is a total for all sub-categories of \$28,397.
- Q:** “Professional/Legal Fees: How much of \$8,000 was spent this year? Do we need \$8,000 next year?”
- A:** To date, this fiscal year, we spent \$8,823.55. Most of it spent to institute legal proceeding (liens). Budget Committee did not see any reason to expect these fees to go down so the amount is not changed in the proposed budget for next year.
- Q:** “Pest Control-Termite: since the amount is the same, we assume it is same company – but their old traps were not working & new traps have been set far away from buildings. Can’t we find something better & cheaper?”
- A:** We are using the same company. \$45,000 was the initial cost for present contract. To change, it would cost us \$50,000 and the Committee did not feel that was an expense we wanted to incur. Present company is in process of changing all traps and they should be placed 10 to 12 feet from the building. If you notice traps that are further out than that, please let Tim know.
- Q:** “Appliances: was \$2500 spent this year? If so, for what?”
- A:** No. \$500 budgeted for purchase of band saw, 2 routers, and orbital sander. You may not be aware, but all the signs in the Trace have been made by Jeff at home on his days off using his own equipment. A lot of those signs need to be replaced. We need equipment for that to be done in-house.
- Q:** “New truck - \$10,000 not spent – put back against insurance?”
- A:** Has already been done – this budget item was used to help offset the increase in insurance.

- Q:** "Supplies: tools: was \$1500 spent this year? On what will \$1000 be spent next year?"
- A:** Just bought a \$600 chop saw and have to buy a new circular saw. This category is used to purchase hand tools and tools that are generally used on-site at buildings.
- Q:** "Operating Reserves: Lumber: was \$48,899 spent this year? If so, on what? Do we need \$48,000 next year? Special projects-reserves: what was \$24,000 spent on this year? What will \$24,000 be spent on next year? Why not suspend this for a year?"
- A:** \$48,899 was spent on lumber (includes nails, flashing paper, roof shingles, etc.) \$24,000 spent on nothing – this is the money that was deposited into the Reserve Account. This is the money to fund the Reserve Account.
- Q:** "Income: Employee health insurance: why debit?"
- A:** That's an accounting issue. Committee voted 6 to 2 to require all employees to pay 20% of their health insurance. This is the negative \$7,249.84 under the Income section on page 4.
- Q:** "Interest income: Why is reserve not producing any interest or dividends?"
- A:** Not producing dividends because it is not invested in stocks. Until recently it was all invested in US Treasury Bills. Recently, due to low interest rates and bank fees we were actually losing some money keeping the funds in T-bills. So, for now all of the funds are in short-term CDs; these do not earn much interest but we have to have our funds available for emergencies.
- Q:** "Suggest: We cannot afford an assistant property manager or the pool cleaner for more than the hours he actually works."
- A:** Budget Committee discussed this issue at each of the 3 meetings – voted 6-2 to keep staffing at its present level. Those who voted to keep staff as present believe that cutting staff by even one employee will cause a delay in maintenance and repairs and result in a deterioration of the property both in structure and in appearance.
- Linda then opened the floor to questions.
    - Q:** **Susan Santolucito (#3522)** – Is this a onetime special assessment?
    - A:** Yes
    - Q:** **Vicky Hogan (#2207)** – Why do we need 7 employees? Who and what they're paid?
    - A:** We have had 7 employees since 1992. Go to Tim's office for information on employees and salaries.
    - Q:** **Claire Fiasconaro (#1801)** – Payroll tax expense – where is the other \$16,000 if the number was \$26,000?
    - A:** That is next year's price. Last year we didn't know what the exact number would be since there were employee raises involved. Next year's number is accurate.
    - Q:** **Roy St. Paul (#3823 & #3103)** – Employees are to share 20% of health insurance? And, on page 1, "Office Supplies" , \$5,000, is repeated on page 3. And, what are Jason's duties?
    - A:** Right now they share nothing. "Office Supplies" – one is supplies the other is equipment. Tim can give you an accounting of Jason's duties.

There was at this time a brief break for **Pat Traina** to promote the upcoming Spring Social slated for Friday, May 18. Everyone please make plans to participate.

**Suzanne McKamey** requested time. Wanted to let everyone know that she and Tom Covington voted against 3 major items:

- 1) We voted to reduce the workforce. Committee would not investigate;
- 2) We felt employees should contribute more than 20% on health and dental;
- 3) We felt the phone system could be bundled better

**Q: Jim Kolwaleski (#3021)** – If you cut everyone out...

**A:** Teva answered: What we would pay out of funds if we got rid of one person would cost us \$20,000.

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C. Presentation of Committee's Recommendation for a Special Assessment – Linda Harang

- All that's proposed now is a 1 year assessment to replace the \$247,000 taken out to buy the insurance policy, mainly because the Reserve Account is not to cover recurring expenses. The Budget Committee voted 7-1 to recommend the 1 year assessment. In addition, the Committee discussed, after the 1 year, the long term problem (because we're \$1 million short) of a succession of 4n 1 year assessments to get our deductible as close to \$1.75 million as we reasonably can.
- Linda then opened the floor to questions.

**Q: Cindy Stewart (#1805)** – Will we have to pay the \$247,000 up front next year?

**A:** Yes we do. Committee has proposed to increase our budget to incorporate that amount in the budget.

**Q: Sally Meyers (#1105)** – Replacing roofs – do you have a running reserve to accumulate money for roofs? Is that the \$24,000 that we've been paying in 2011?

**A:** No. That's the reserve account.

**Q: Fred Kirchgraber (#3024)** – (1) Increase is about \$50,000, is that correct? And assessment is \$247,000? Total \$299,625 increase in insurance that we talked about is \$147,000. Difference is \$150,000 – is that \$150,000 being set aside for next year and \$147,000 will not be assessed next year? (2) Who is the A rated companies on the policy?

**A:** (1) Yes, The plan on the budget is to have the money in budget coming in in cash flow so when that premium is due next year, the money is there to pay it. (2) Tim can give you the names of the carriers. (Tim interjected that the information is on the Audubon Trace website.)

**Q: Mary Jo Day (#1703 & #2406)** – Possibility of next year's assessment for reserves – if talking about those assessments continuing on to build up \$1.75 million. Say we did that and a hurricane hits, so we've got that deductible so we don't have an assessment, we can't go back to our own

insurance policy. Is that right? What if I'm here 5 years and I sell my unit?

- A: Tim:** You can go back to your policy. **Linda:** You go to your policy. There has been a proposal discussed. Once we have monies beyond the \$247,000, once pay into and we've not used – you will get back. Board considered not building up to \$1.7 million. All of this can be considered. If you sell, it's between you and the buyer to figure out how to replace your unit's proportional share back into the reserves.
- Q. Mary Jo Day (#1703 & #2406) -** I ask the Board to consider not building up \$1.75 million so that some of us who have that assessment portion of our insurance policy could access that rather than paying an assessment each year.
- A.** When and if the further building of this is considered, I'm sure that can be and will be done.
- Q: Susan Santolucito (#3522) –** I understand all your arguments and appreciate the hard work. I think it is unrealistic to expect the owners of Audubon Trace for an assessment year after year. I realize this is a very extraordinary thing that has happened and this assessment is necessary and I'm more than willing to pay it, but I think that in future years the Board needs to be more receptive to what the owners have to say and that it should not be a decision that is solely based upon the 6 or 7 people who are on the Board. That once this special assessment is over, that the owners need to have more input into future special assessments.
- A:** Lenny stated that's why we're having this meeting tonight. Before the Board adopts this budget, before the end of this month, and we've had expanded budget meetings, now we've heard recommendations and based on all that, the Board will get back and make a recommendation.
- Q: Leslie Weil (#3813) –** (1) Did we get any money back after Katrina? (2) The \$1.75 million deductible – is that for 1 policy or 3 separate policies? (3) Health insurance – mine is a \$3,000 deductible!
- A:** (1) There was some reimbursement – Tim can show you. (2) Flood is separate: \$1,000 per building. Tim can show you the policies. The \$1.75 million is for wind damage from a named event. We have 3 accounts: Operating; Savings; Reserves. There was a separate Katrina account for anything related to that storm. (3) Need to discuss.
- Q: Lisa Tetlow (#1704) –** I'm confused because assessment is based on \$247,000. But \$93,000 is offset by savings on fire and liability so why is it a shortfall of \$150,000 rather than \$247,000?
- A: Linda:** Because we collect dues monthly and don't have the cash flow to write that check. Going forward, if budget is increased to cover it, it will cover it. **Teva:** \$247,000 is to replace what was taken out in one fell swoop. Condo fee increase is to pay for next year's premium.
- Q: Kim Mcaleb (#3414) –** When the Finance Committee proposes to the Board – on the budget, and the Board votes on it – does that not have to be approved by the membership? Is that not in our bylaws?
- A:** No. In the restatement of the bylaws, there are only 4 things that you get to vote on as a homeowner:
- 1) Elect people to the Board;
  - 2) If there is a Capital Expense that exceeds a certain amount, 80% of all owners have to approve it;
  - 3) Vote to amend, repeal or rescind the bylaws and restatement;
  - 4) Recall an elected Board member.

- Q: Charlotte Ducote (#1806)** – I was here and part of the huge assessment. After Katrina, I had a small leak in the roof and called my insurance company. And, health insurance – I have to pay a significant portion. It's a hard fact of life.
- A:** Association pays to fix roofs. Your policy pays for the inside of your unit. And, yes, after Katrina we had problems with adjusters over that matter. Our docs say we do not pay for interior. All condos are not the same.
- Q: Maria Zabalaoui (#707)** – How are we going to collect the assessment from owners if their units are for sale?
- A:** Same as we collect dues....pay monthly or we shut off the water and place a lien on the unit. That's the only method we have of collecting money and guaranteeing everyone pays their fair share.

This concluded the question and answer session.

**Tom Covington (#2208)** then requested the floor. Encouraged everyone to go home and evaluate what was discussed. The Board is going to meet (5/23/12) – send the Board an email and indicate what you want changed.

IV. Adjournment

Lenny called the meeting adjourned at 9:00pm.

Respectfully submitted,  
Sara Bugbee  
Unit 207