

MINUTES OF THE BOARD OF DIRECTORS MEETING OF THE ELIZABETH LOFTS CONDOMINIUMS HELD ON TUESDAY, MARCH 8, 2016 AT 5:00 PM IN THE COMMUNITY ROOM LOCATED AT 333 NW 9th AVENUE, PORTLAND, OREGON, 97209.

PRESENT: Paul Mollomo, Secretary
Andreas Anderson, Director
Jill McAlpine-Andre, Director
Paul Roelofs, Director
Brenda Peterson, Director

ABSENT: Jim Kennedy, Treasurer; Acting Chairman
Tina Tsai, Commercial Director

BY INVITATION: David Schwindt, CPA, **Schwindt and Company**
Tom La Voie, CMCA CAMP, Community Manager
Dave Berg, Building Maintenance Coordinator
Laura Broughan, Community Administrator
COMMUNITY MANAGEMENT, INC., AAMC

OWNERS: As indicated on the original sign-in sheet.

I. CALL TO ORDER

Secretary Paul Mollomo called the meeting to order at 5:02 PM.

II. APPROVAL OF AGENDA

AGREED: The Board approved the agenda as circulated by consensus.

III. APPROVAL OF PREVIOUS MINUTES (FEBRUARY 23, 2016)

AGREED: Brenda Peterson moved to approve the minutes of the February 23, 2016 meeting as previously circulated. Jill McAlpine-Andre seconded the motion, which carried without objection.

IV. ELECTION OF OFFICERS

The election of Board Officers was deferred until all members can be present.

V. FINANCIAL STATEMENTS

David Schwindt of Schwindt and Company gave a brief introduction of himself and the company to the Board, and discussed the Audited Financial Statement for the year ended June 30, 2015. In Schwindt's opinion, the Elizabeth's financial statement is clean, with no red flags or incompatible internal controls. The statement is fund-accounting, meaning that separate funds are maintained for the operating budget, replacement reserve fund, and working capital fund. Schwindt highlighted the following points:

During the fiscal year ended June 2015, the Association benefited from some bad debt recovery; assessments that had been written off previously were paid.

There was also an excess of revenues over expenses.

The key to the reserve fund is to follow the recommended contribution for the monthly budget.

Working capital contributions do not count as income.

CMI uses the accrual method of fund accounting, which means expenses are reported when they are incurred, not when paid. The financial statement has to be reconciled back to a cash basis to know how much cash is on hand.

Schwindt also pointed out that income taxes are a potential liability because non-member income, such as interest on accounts, is taxed. Mollomo asked about tax brackets. Schwindt stated that the tax rate depends on the tax form that is filed. If Form 1120-H, which is specific for home owner associations, is filed, any taxable income is subject to a 30% tax rate. If the association files Form 1120, which is not specifically set up for HOAs, the association is able to itemize deductions and claim less income. On Form 1120, the first \$250,000.00 of income (profit) is taxed at 15%; amounts over \$250,000.00 are taxed at 30%. La Voie stated that if an HOA has excess income, the association can vote to enact tax rule 70-604, which allows an HOA to move the income to next year's budget. Anderson asked how long an association can keep moving the income forward to the next year. Schwindt stated that some CPAs believe that the excess income has to be used in the next budget year. Other CPAs believe that an association can keep moving excess income forward each year.

Schwindt pointed out the additional comments on the financial statement and the concentration of credit risk. Schwindt stated that it might be possible to earn more interest on the CDs that the Association owns. This can be done by laddering the CDs in a program such as the CDARS program. Schwindt stated that his firm could help work out a laddering schedule for CDs to help pay for reserve fund items.

Schwindt also suggested that the Association should have a formal capitalization policy in place, which would allow the personal property of the Association, over a threshold amount, to be capitalized and depreciated. Schwindt suggested a threshold of \$8,000.00.

Schwindt has gone over all adjustments to the financial statements with CMI and all adjustments are standard year-end adjustments.

Peterson asked about the additional document included in the audit packet concerning fidelity and computer fraud insurance. Schwindt stated that he recommends that all of his clients sit down with their insurance agent to go over all of the insurance policies that are good to have and are part of best practices. The policies should cover every Board member, CMI, or anyone else who handles Association money. Anderson asked La Voie about this in relation to ACH payments. La Voie stated that they are covered under CMI's insurance for about \$1.4 million, and ACH payments are sent directly to US Bank. Any checks that come to CMI's offices are transferred immediately to US Bank. La Voie stated that CMI had a risk assessment audit done on the whole system to make sure there is no way to take advantage of the system. The risk assessment was done three years ago and CMI passed. Schwindt commented that he was aware that CMI is the only management company in Oregon to undergo a risk assessment audit.

The Board thanked Schwindt for his time.

VI. REPORT OF THE BUILDING MAINTENANCE COORDINATOR

Building Maintenance Coordinator's Report: Dave Berg walked the Board through the report that had previously been sent to the Board for review.

Masonry Caulking: D&R Masonry has identified a likely spot outside Rich's Cigar Store where water may be intruding into P1. They are not able to do this work in the rain.

Agreed: No action taken at this time.

CCTV System: Berg reported that he is meeting with a vendor on March 9, 2016 to learn more about the system and determine if it is possible to upgrade the system. There is one camera in the garage that is currently down. Anderson asked if the CCTV system is in the reserve fund, and, if so, is it up for an upgrade. La Voie stated he would look in to it. A building walk through was done with Berg, Anderson, and Mollomo to inspect the CCTV system. Berg stated that the system relies on a phone line, and calls him when there is an issue. Berg has a bid of \$16,750.00 to upgrade to a system that relies on radio, and can be monitored remotely by logging into the system. Anderson asked if there would be savings on the back end if someone did not need to come to the building. Berg stated that someone would still need to come to the building to make service calls, but, with the new system, the service calls might be able to wait until normal business hours.

Agreed: No action taken at this time.

Wooden Unit Doors: Berg reported that Wayn bid \$11,489.00 to refinish 146 doors. Berg is still looking for bids. Mollomo asked what all goes into refinishing the unit doors. Berg stated that if there are gouges, the gouges are filled in, lines are traced to match the grain of the wood, and then the doors are sanded and sealed. Not every door needs to have work done; only about 75% are in rough shape. This work is in the reserve study and is on track with the time line.

Agreed: Berg will continue to seek bids.

Electric Vehicle Charging Stations: Berg is working on getting bids for putting charging stations in the parking garage. He will be scheduling a Skype conference call with Evercharge and Board members.

Agreed: No action taken at this time.

Fire Sprinkler Tank: The backup tank in the garage for the fire sprinkler system has no fill gauge on it, making it difficult to know when the tank is empty and to fill it. The total cost to install a gauge is \$5,015.00, which includes \$1,500.00 for the gauge and \$3,500.00 for the electrical work to hook the fill gauge to the fire panel. Even though the gauge was never on the tank originally, the replacement of this part is in the reserve study.

Agreed: Andreas Anderson moved to accept the proposal to install a tank fill gage on the sprinkler back up tank at a cost of \$5,015.00. Jill McAlpine-Andre seconded the motion, which passed without opposition.

Sidewalk: A section of the sidewalk near the SW corner of the building has sunk due to erosion. D&R Masonry has submitted a proposal in the amount of \$2,550.00 to cut out and replace this section of sidewalk. They will require three or four days in a row without rain to get the work done.

Agreed: Andreas Anderson moved to accept the proposal from D&R Masonry to replace the section of sunken sidewalk at a cost of \$2,550.00. Jill McAlpine-Andre seconded the motion, which passed without opposition.

Garage Sump Pump: The sump pump in the parking garage is currently not functional. PMC has submitted a proposal to provide a new pump, and install it using the existing pipes and electrical. The current lid will need to be modified to accept the new pump. The total cost of the proposal is \$3,387.00.

Agreed: Andreas Anderson moved to accept the proposal to install a sump pump in the parking garage at a total cost of \$3,387.00. Paul Roelofs seconded the motion, which passed without opposition.

There was a question posed to Berg about a high water alarm with the sump pump. Berg stated that a high water alarm that ties into the building alarm panel would be nice to have since it warns when there is high water that could cause flooding. If the flooding happens in the middle of the night, someone could handle the situation before the whole basement parking area is flooded.

Wall Outlets: Berg has received one bid to replace the electrical outlets in the newly painted hallways that have yellow sockets. New white sockets would be installed to match the white faceplates. The bid is for \$1,153.00. La Voie suggested getting a second bid.

Agreed: David Berg will seek more bids for this job.

Backup Generator: Peterson had a question about the report of the low water temp alarm. Berg stated that it was from the block heater on the backup generator. The block heater keeps the fluids warm so the generator doesn't fail to come on.

Hallway Lighting Update: Jeff Ghitelman prepared a hand out for the Board with three options for new light fixtures. The first option is a LED retrofit adaptor that plugs into the existing socket to allow a regular light bulb to screw into. This would require bypassing the ballast system at each light fixture. The problem with going with this option is that the wall washers in the elevator lobby areas are horizontal and the new lights might be too hot to work in that tight space. The second option is a new fixture that is hardwired inside the existing aluminum lighting cans. This option would also require bypassing the ballast for each light fixture. The third option is a LED light that lasts up to 100,000 hours; this light might be a good option for outside.

Ghitelman had an example of lighting for options one and two that he plugged in and demonstrated for the Board. Anderson stated that he likes option one, because option one would save money over time, it would be easier to replace the light bulbs, and it would work with the existing aluminum cans. Peterson and McAlpine-Andre would like a test set up of the various options. Berg stated that the most expensive part of the project is to bypass the ballast for each light fixture. Berg also stated that Energy Trust of Oregon will contribute 30% - 40% of the total project cost to update the existing lighting to LED lights.

La Voie suggested that the lighting on the entire half of a floor be replaced, in order to get a good idea of what the difference is. McAlpine-Andre suggested floor 13 for the test. Berg suggested contacting Pacific

Lamp to get a bid for bypassing the ballast on the lighting fixtures on floor 13. La Voie pointed out that if the bid is under \$1,000.00 CMI can approve it without waiting for the next Board meeting.

Outside Lighting: Two of the lights on the exterior of the building that light up the architectural features are burned out and the fixtures need to be replaced. Because of the location of the fixtures, a crane and staging is needed to get access. Berg has three bids for \$22,000.00 that include the costs for closing the street, the crane, and staging to get access to the fixtures. Berg reported that D&R Masonry will do the job for \$15,000.00. Berg suggested having RDH go at the same time to check the caulking. Ghitelman stated that there is architectural lighting on the exterior on the 16th floor that has never been turned on. Mollomo questioned justifying the cost to replace these outside light fixtures, and suggested doing it the next time the building envelope is inspected.

VII. REPORT OF THE COMMUNITY MANAGER

Bicycle Room: La Voie apologized for the bike rack project because it has not gone well. The company that built the bike racks came to deliver the bike racks and couldn't off load them because the fork lift at CMI was not working. The bike racks have now been scheduled to be picked up from Hunt Co on Wednesday, March 9, 2016 and delivered to the Elizabeth. Robert Wait, the vendor that is building the wall, wanted to wait until the bike racks had been delivered before building the wall and installing the bike racks.

Parking Garage Stop Signs: La Voie stated that stop signs that are 18 inches square can be ordered. Striping on the deck at both gates will cost \$500.00. There was an extended discussion about stopping when entering and exiting the parking garage and waiting for the gates to close fully. The Board discussed sending warning letters and assessing fines to owners that are observed not stopping.

PDNA Meeting: The PDNA meeting with the City of Portland's noise control officer has been rescheduled for Tuesday, March 29, 2016 in the Elizabeth Community Room from 6:00 pm to 8:00 pm.

Concierge Update: La Voie announced that concierge John Woolsey has put in his notice and will be leaving on March 26th. La Voie also stated that CMI is in the process of interviewing a new concierge.

VIII. BOARD REPORTS

COMMUNITY AND COMMUNICATIONS COMMITTEE

Jill McAlpine-Andre stated that she will have furniture samples for the lobby sitting area at the April meeting.

IX. OLD BUSINESS

Board Meetings: La Voie asked for a variance in the date for the May meeting because of an annual meeting at another property on the same day. La Voie asked that the meeting be moved to Monday, May 9, 2016.

Agreed: Paul Mollomo moved to hold the May meeting on Monday, May 9, 2016. Jill McAlpine-Andre seconded the motion, which carried without opposition.

APPROVED

**ELIZABETH LOFTS CONDOMINIUMS
BOARD OF DIRECTORS MEETING
MARCH 8, 2016
PAGE 6 OF 6**

X. CONFIRMATION OF NEXT MEETING DATE

The next meeting will be held on Tuesday, April 12, 2016 at 5:00 PM in the Elizabeth Lofts Community Room.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned at 7:03 PM.