

**FOREST HILL ASSOCIATION
BOARD OF DIRECTORS MEETING
June 4, 2012**

Board Members present: Diane Wara, Paul Cooper, Dan McHugh, Kathe Farrell, Katie Balestreri, Warren Krauss, Eric Buonassisi.

Others in Attendance: Steve Halpern, Harold Wright, Walt Farrell, Rigo Cabezas.

Diane Wara called the meeting to order. The meeting began at 7:00 pm.

Special Order of Business:

Diane Wara announced the special schedule for this Meeting.

Prior to the business meeting, Eric Buonassisi, Chair of the Clubhouse Finance Committee, will give a presentation on proposals for financing clubhouse renovation work, and Paul Cooper, Chair of the Clubhouse Committee, will discuss Master Plan alternatives and community outreach options.

Financial Proposals:

Eric Buonassisi presented a financial analysis co-authored by John Palmer who was absent from the meeting. He explained that the financial projections as of today are tentative as no decisions have been made regarding the final scope of the work. So far, by voting and approving the Master Plan by Carey & Co., the Board has agreed to address seismic upgrades, kitchen remodel, electrical upgrades, work to attain ADA compliance for bathrooms and other areas, and conversion of former living quarters to meeting spaces and bathrooms as needed. The designation of the current office annex as living quarters will be kept as is, mainly because of very rigid City regulations.

Carey & Co. had provided various alternatives for the renovation, two of which have been subjected to an in-depth financial analysis: a “minimal, bare-bones” plan at a total cost of \$ 500,000 (“base case”) and a more comprehensive approach at a cost of \$810,000 which would allow the installation of 2 more ADA-compatible bathrooms (on the second floor) and would include moving the staircase.

The minimal plan addresses mainly areas of deferred maintenance and provides for the installation of two ADA compliant bathrooms on the first floor.

The financial analysis takes into account the following data and assumptions (which are based on the data of the last four fiscal years):

- the FHA cash balance is ca. \$ 470,000
- the average annual surplus of revenues over expenses is \$ 37,000 or approximately \$ 3,000 per month
- The FHA has the option to increase dues every five years, the last time in 2010; rental income from Clubhouse rentals has seen a steady increase
- FHA has 650 member households paying an average of \$ 405 annual dues
- This amounts to an estimated .65% of the average Forest Hill homeowner Principal Interest and Tax payments.

- The financial analysis was calculated for the base case of \$ 500,000 total cost, the comprehensive plan of \$ 810,000 total cost, and – just for demonstration purposes – for a hypothetical cost increase to \$ 1 million.
- For each of these cases, it was assumed that not more than \$ 300,000 of the financial reserve would be spent on renovation work, and that a loan amount of \$ 200,000 up to \$ 700,000 would be taken out.
- It was further assumed that the loan would be fixed for 25 years.
- Assuming an interest rate of 4.5% (a conservative estimate to date), annual payments would range between \$ 13,340 and \$ 46,690.

Therefore, for the “base case” and the “more comprehensive” scenarios, no additional funds beyond the average annual surplus of \$ 37,000 would be required, i.e. no additional dues increase would be necessary. Only if project costs would amount to \$ 1million with a loan amount of \$ 700,000 would it be necessary to raise annual dues by 4.4% or \$18 per household.

Alternatively, if only \$250,000 out of the cash reserve would be utilized and the remainder borrowed at 5% interest for a hypothetical \$1 million project, the additional payments would necessitate a dues increase of 12.4% or \$50 annually per household. None of these scenarios would require the sale of assets (garages/lots).

Negotiations with four financial institutions have shown that all of them are willing to provide the financing. The financial analysis has proven that FHA is able to afford a project exceeding the scope of the “base case” and that, if less of the overall cost is paid down and more borrowed, the extra cost for debt service at current conditions is minimal. In all probability, no dues increase will be necessary for the expected scope of the renovation project up to a total cost of \$ 810,000.

Diane Wara and Paul Cooper thanked Eric and the whole Clubhouse Finance Committee for this insightful analysis.

Masterplan Alternatives and Community Outreach:

Paul Cooper explained that the alternative renovation schemes and various financing options will now be presented to the FHA community via a special issue of the Newsletter dedicated solely to this purpose and containing a response postcard (addressed, prepaid) with preformulated opinion questions. Paul had prepared a rough draft for the text of the special Newsletter issue. A spirited discussion among all present ensued regarding the most appropriate length and detail content to be presented. A consensus was reached that the most promising approach appears to be a short, concise, and easily readable side-by-side presentation of the Masterplan alternatives “in a nutshell” with a link to the full posting of the Masterplan for those interested in the details. It should, for example, be pointed out that the “base case” scenario at \$ 500,000 would provide for the installation of 1 ADA-compatible bathroom on the ground floor and the \$ 810,000 scenario would allow the installation of 2 on the ground floor and 2 additional bathrooms on the second floor and would include moving the staircase. Diane Wara stated that the Board will not put out Clubhouse renovation scenarios and their financing to public vote, but wishes to poll public opinion only. Harold Wright suggested to reduce the financing options to the simple question to the community whether they are

willing to pay for more than only the base case (given that the base case is what has to be done anyway to take care of the bare necessities and to address deferred maintenance and given that Clubhouse maintenance measures are the obligation of the Board).

Board Members agreed to contribute their further thoughts via email so that Paul Cooper will be able to finalize the text for the special Newsletter issue within one week from today and forward to Yen Bachmeier for production.

Regarding the response postcard to be included in this special Newsletter issue, the options are 1.) regular size postcard, Newsletter and postcard together in an envelope, giving the mailing a more special appeal than the regular Newsletter or 2.) an oversize postcard that fits into the half-folded newsletter and can be sealed inside – no envelope necessary. The Board will stay in touch with Paul Cooper to finalize these details as well.

In addition to the special Newsletter issue, a Community meeting hosted by FHA is being planned for a Sunday afternoon in late July/early August. This meeting will be dedicated to the Clubhouse renovation project, but will be designed rather as a party than a lecture to draw in a wider part of the FHA community.

Diane Wara again thanked Eric and Paul for all their work on the Clubhouse renovation project.

At 7:45 pm, Diane Wara opened the regular Board business meeting.

Minutes: The draft minutes of the previous meeting, May 7, 2012, were approved. The next Board Meeting is planned for Monday, July 10, 2012.

Treasurer's Report:

Sally Kipper reported that the only notable expenditure during the month of May was the budgeted amount of \$900 for calendar preparation. On the revenue side, the longest-standing lien, dating from 1993, was released after full payment of approximately \$ 6,600. This is already the second lien to be released during the current fiscal year, leaving a total of ten remaining liens. In addition, there are ten households that have not yet paid their 2012 dues, and they receive reminder letters every month.

The Board then moved to approve the Treasurer's Report.

President's Comments:

Diane Wara focused on two areas. In connection with the current discussion about Clubhouse renovation financing options, she reminded the community that not only the Clubhouse but also a multitude of outdoor areas need work, especially the median strips many of which still do not have irrigation. Several retaining walls need to be repaired. Harold Wright suggested that the City might take over responsibility for the wall repair, and Dan McHugh pointed out that FHA should first look into possible liability issues before deciding in favor of this repair work. – Diane also reported about the process of revising the Clubhouse alarm system. Unfortunately the planned change of providers from ADT to Bay Alarm Company has fallen through as Bay Alarm would have had to install new sensors and the current codes would have required their hardwiring at an overall prohibitive cost. Therefore the current contract with ADT has to be maintained in

a downsized form and only on a year-to-year basis. The issue will be revisited when the Clubhouse renovation is under way.

WTPCC Report

Walt Farrell reported that WTPCC has now elected their officers and passed their new Bylaws. WTPCC is celebrating its 75th anniversary. Walt further noted that a faction within the SF Park and Recreation Department seems to be set on removing most of the (non-native) trees on Mt. Davidson, reducing the flora in this area to the native shrubbery only. Harold Wright, from his experience, noted that the City is lacking the funds to do so and that no plan approval has been passed yet, so that in all probability the trees will mostly be left untouched.

Advisory Committees

Activities Committee:

Dan McHugh had nothing to report.

Communications:

Kathe Farrell is currently concluding her work for the next Newsletter issue which is to be published in the next few days. A period of at least two weeks should be observed between the publication of this regular general Newsletter and the special Clubhouse issue.

Infrastructure

Dan McHugh reported that the installation of the AT&T boxes is still on hold, but that a ruling by the presiding judge is expected shortly.

Legal and Governance:

Warren Krauss had nothing to report.

Landscaping:

Diane Wara reported that the Summer Pruning list has been submitted by Valley Crest and that the pruning will start in the second half of August. The pruning list will be posted online, giving homeowners a two-week period for comments and requests. After the conclusion of this period, no further requests for the summer pruning will be accepted. She also reported an observation of homeowners whose elm trees were late in producing foliage, and that the VC arborist had recommended a soil and tree analysis to rule out a tree sickness. This would cost \$ 800. No possible consequences of either outcome of this analysis had been presented. Moreover, several of those present knew of other late-blooming, healthy elm trees in Forest Hill. It was therefore decided to wait and observe before committing to a possibly unnecessary expense.

Adjournment: There being no further business, the meeting was adjourned at 8:35 pm.

Respectfully submitted,
Jutta Lammerts