

**FOREST HILL ASSOCIATION
BOARD OF DIRECTORS MEETING
December 10, 2012**

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

Others in Attendance: Walt Farrell, Rigo Cabezas, Mel Bachmeier, Peter Gochis, Harold Wright.

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

Minutes: The draft minutes of the previous meeting, November 5, 2012, were approved. The next Board Meeting is planned for Monday, January 7, 2013.

Treasurer's Report, Sally Kipper:

Revenues:

Assessments: By the end of November, FHA was holding liens against nine properties, and on December 1st, new liens were placed on two properties whose 2012 assessment payments had not been made by November 15th.

Expenditures:

- 1.) Clubhouse Maintenance was higher than average due to the mandatory annual fire extinguisher service; three extinguishers had to be replaced as they had reached their 12year life span.
- 2.) Tree care: The cost for summer pruning, budgeted at \$ 18,000, came in at \$21,000. The Board voted per email (5 in favor, 2 non-responders) to accept this additional expenditure. Documentation of this email vote is appended to these Minutes.
- 3.) Office expenses were higher than usual due to the postage cost for the annual assessment letters.
- 4.) Community Events: the total cost contains expenses for the Halloween Party (\$460) and Holiday Party (\$1,355).

Sally pointed out that each year by the end of November the balance in the FHA Money Market account reaches its annual low point, before the assessment payments begin to arrive in the first days of December. The balance sheet shows that as of November 30, 2012, cash in the FHA's three accounts (checking, Money Market, and CD) totals \$ 372,000. This amount is funds available for both operations and for a reserve for maintenance. It will grow as assessment payments are made in the coming months. Out of approximately \$ 283,000 in annual assessments invoiced, approximately \$22,000 reflects invoices to non-FHA members. While they are not receivables we are entitled to in 2012 ca. 36% of these non-member households have made payments on a voluntary basis.

The Board unanimously approved the preliminary Treasurer's Report.

President's Comments

1.) In regard to the cost increase for the 2012 summer pruning, Diane Wara explained that not only has Valley Crest increased their pricing, but also the aging tree population in Forest Hill requires an increasing amount of upkeep. This trend is likely to continue over the coming years. In order to offset this cost increase, competitive bids are requested for all tree removals with a cost exceeding \$500. In addition, every FHA member request for emergency storm cleanup is reviewed by Diane in order to avoid unnecessary cost for tree work on weekends and after hours.

2.) Diane plans a meeting with Carla Short of the SF Bureau of Urban Forestry to discuss efficient strategies in maintaining the FHA tree population and to facilitate contact with FHA members in need of advice or help.

3.) Clubhouse cleaning: from now on, FHA will be paying for post-event cleaning services at the Clubhouse for all events open to the community. Jutta Lammerts will formulate a policy that explains this rule and lists the community events after which cleanup will be offered at FHA expense.

4.) Sally Kipper suggested that the FHA increase the administrative fee for placing a lien to \$ 125. The Board approved this suggestion.

Financial Review

Eric Buonassisi reported that Levy, Erlanger & Co CPAs have completed their review and submitted a draft copy containing their observations and recommendations. These documents were emailed to the Board prior to tonight's meeting so that they could review the contents in advance. Eric explained that a review is an abridged version of a full audit. It is based on the March 2011 and March 2012 Treasurer's Reports, Board Meeting Minutes, and FHA bylaws. By signing the included representation letter, the Board approves of the report and the assertions made in the Representations Letter – Reviewed Financial Statements.

After a Review of the current accounting practices at FHA, the Draft Report recommends several improvements to procedures to lessen the risk of fraud and mismanagement of FHA assets and provide greater clarity in the financial reports. The following are some of the key recommendations that should be evaluated for implementation are as follows:

- 1.) Assessed dues for FHA members and non-members should be kept separate as different line items
- 2.) The corporate Treasurer should not do the accounting – accounting should be placed in the hands of an independent accounting firm.
- 3.) Invoicing and collection of annual dues should be outsourced to firms that can do this more efficiently while they “handle” the check payments and fund allocations for revenues.

The Levy-Erlanger Review includes suggestions for FHA on how to comply with Davis-Sterling regulations. On this issue, Warren Krauss reported that he has received a legal opinion that the FHA is not subject to the Davis-Sterling Act. . The Board requested that Eric Buonassisi and Warren Krauss write a letter to Levy, Erlanger advising them of such legal opinion. The Board moved, in advance, to approve an email vote with 24 hr turnaround time on the expected revised version of the representation letter when it arrives from Levy, Erlanger. We need to use a Final Review Report to obtain financing offers from some of the banks we have approached.

Diane pointed out that the report contains references to the ARA Reserve Study (Aug 2011) the recommendation to establish a \$ 200,000 reserve fund, half of which is earmarked for replacing the garages – a project that Diane considers nonsensical. An additional \$100,000 is recommended for maintenance included in the Clubhouse renovation project. She therefore does not agree with the rationale for the recommended \$200,000 and suggests a revision/re-estimate.

Eric and the Finance Committee will review the accounting improvement suggestions in the report by the end of January and report back to the Board at the February 2013 meeting.

Advisory Committees

Clubhouse Renovation - Paul Cooper:

A cost estimate has been completed by the Moroso Construction Company, based on the drawings by Carey & Co. The initial estimate came out at \$ 789,000. Paul Cooper and Diane Wara had reviewed the estimate and listed items that can either be taken completely out of the project or can be postponed. After this “value engineering”, the remaining estimated cost amounts to \$ 630,000. A detailed list is appended to these Minutes.

Paul also suggested removing other items such as, paint work from the overall remodeling project and independently contracting a painting company to perform the work. This strategy should reduce the cost to FHA. Paul will also explore whether FHA can take advantage of a bond measure that offers rebates for energy conscious appliance purchases and installation of insulation.

Harold Wright and Peter Gochis voiced concerns about the overall cost increase of the project and possible additional cost overruns as the project proceeds. Harold Wright stated that in his opinion the whole remodeling project could be achieved at much lower cost, and that the majority vote of the FHA members did not support the cost as estimated in the Moroso report. Peter Gochis stressed the necessity to provide ample contingency funds in case of unforeseen construction complications. The Board members then weighed in and unanimously agreed that the remodeling project as it stands now has already been reduced to the most pressing necessities and is a “no frills, bare-bones” project. The two first floor ADA compatible bathrooms should not be considered a luxury. They are necessary to bring the Clubhouse up to current code requirements. There was also consent that the FHA Board has an obligation to care for and maintain the Clubhouse and that the cost for doing so is likely to increase the longer it takes to start this project.

The Board then moved to approve the \$ 630,000 scope of the project as outlined in the appended document, “Cost Estimate Analysis.”

The Board plans to review competitive bids by construction companies at the February 2013 Board Meeting.

Adjournment: There being no further business, the meeting was adjourned at 9:00 pm.

Respectfully submitted,
Jutta Lammerts

Appendix: Cost Estimate Analysis

APPROVED SCOPE LIST AT FOREST HILL ASSOCIATION BOARD MEETING 12/10/2012

\$789,271.00 TOTAL 12/5/12 Moroso Cost Estimate

ESTIMATE ADJUSTMENTS THAT ARE ALIGNING SCOPE WITH INTENTION ON DRAWINGS

-\$2,925.00	Add Copper gutters and downspouts (matches historic building)	ADD
\$5,040.00	Retain existing pipe railing at mezzanine	DELETE
\$4,300.00	Omit wood paneling from new hallways, this was never the design intention from Carey.	DELETE
\$2,272.00	Eliminate all Lutron switching	DELETE
-\$15,000.00	Contingency	ADD

\$795,584.00 TOTAL ADJUSTED BASE SCOPE

VALUE ENGINEERING IDEAS FOR BOARD REVIEW

	GENERAL REQUIREMENTS	\$10,000.00
\$10,000.00	Project Superintendent from \$95 to \$85	
	SITE WORK	\$23,825.00
\$14,784.00	A) Defer accessibility path from sidewalk to upper patio. \$14,784	
\$3,360.00	B) Delete/defer repair of brick retaining wall encircling upper patio. \$3,360	
\$5,681.00	AA) Reduce additional electrical scope at exterior to bare minimum. \$5,681.	
	MASONRY	\$4,480.00 Being done as an Alternate
\$4,480.00	I) Delete chimney seismic retrofit (this is only a \$3500 item – if possible I think we should include). \$4,480	
	WOODS AND PLASTICS	\$13,104.00
\$13,104.00	J) Delete recommended roofing plywood as it is not required for seismic upgrades. \$13,104	
	THERMAL AND MOISTURE PROTECTION	\$24,475.00
\$21,550.00	E) Insulation. Do not include 2" insulation – it will alter the appearance of the roof! Please price the specified product. UPDATE: Delete roof insulation and plywood nailer sheet. \$21,550.	
\$2,925.00	R) Go with galvanized sheet metal in lieu of copper gutters and downspouts. \$2,925.	
	DOOR AND WINDOWS	\$2,856.00
\$1,960.00	F) Omit new window. \$1,960	
\$896.00	O) No mirror in women's room upstairs. \$896	
	FINISHES	\$40,491.00
\$18,345.00	H1: Exterior Paint only at modified stucco exterior openings in lieu of complete exterior repaint: save \$18,345. (leaves only a \$5k allowance in the estimate for exterior paint)	
\$12,482.00	H2: Interior Paint: only touch up at work areas and no work at existing stain-grade surfaces: save \$12,482.	
\$1,848.00	W) Reduce tile supply budget for walls of new restrooms from \$10/sqft to \$5/sqft. \$1,848	
\$872.00	G) Let's use sheet linoleum at upstairs women's toilet cubicles – not much savings but doesn't make sense to me to introduce another material. Linoleum is included in the base estimate. UPDATE: Sheet vinyl in lieu of linoleum is a savings of \$322, but leaving the existing sheet vinyl as-is is worth a savings of \$872. We go with the as-is option.	
\$6,944.00	Q) Do not do the new floor finish for the mezzanine (carpet) or the treads going up the stairs. \$6,944.	
	EQUIPMENT	\$24,338.00
\$17,605.00	X) Carry Cini-Little equipment supply & install budget in lieu of sub bid. \$17,605	
\$6,733.00	Owner to provide refrigerator for installation by contractor	
	15 MECHANICAL AND PLUMBING	\$5,824.00
\$5,824.00	K) Mechanical – Use the wall heaters instead of the new furnace for the apartment and new restrooms at lower level. Or delete the lower-level wall heater entirely – the mechanical engineer isn't convinced we need it anyway. \$5,824	
	16 ELECTRICAL	\$16,177.00
\$5,040.00	N) Delete new switching, except where absolutely necessary. Let's assume we can knock \$5,040 off pending a design that ties to this idea.	
\$1,568.00	L) Electrical: Delete repair of existing fixtures. \$1,568	
\$2,240.00	M) Minimize new lighting at apartment. \$2,240	
\$3,409.00	Z) Delete new light fixtures at mezzanine: \$3,409	
\$3,920.00	Eliminate all Lutron Switching and Use Generic toggle Throughout	
	TOTAL VALUE ENGINEERING	\$165,570.00
	TOTAL ADJUSTED PROJECT COST WITH ALL VALUE ENGINEERING	\$630,014.00