

**Cowpet Bay West
Board of Directors
Special Meeting
July 27, 2011**

Present: Max Harcourt, Barbara Walters, Rosie Wells, Sharon Koehler, Bill Canfield, Vince Verdiramo, Bob Cockayne, Jon Cassidy, Louanne Schechter

Jeanne Brennan, CPA for Cowpet Bay West attended by phone conference at the request of the Directors.

Purpose of Meeting: Discuss a means to pay the premium of the newly acquired insurance and alter the budget if needed. Note: Insurance was in effect before securing finance.

Treasurer Overview: We have about \$449,000 in cash, \$68,000 was written from the reserve fund as the down payment on the new insurance. The rebate from the previous insurance policy is expected to be approximately \$50,000. The remaining Capital Improvements are expected to be \$110,425. With these expenditures there should be a cash reserve of \$372,336. [Amended 8/9/11 was \$320,442.] (Financial Overview sent by Sharon available in office).

Max approved financing the remainder of the insurance premium with a 9 month payout at 3.2% which is \$23,632/month. The interest adds approximately \$8600 to the cost of the insurance.

As the Board had not voted on the financing, Max made a motion to accept the \$68,032 down payment with 9 month financing at 3.2% from Mapfre. Bob 2nd the motion. Following discussion, the vote was taken. Max, Sharon, Bob, and Bill voted yes. Barb abstained. Rosie and Vincent voted no.

Max stated the insurance cost to the Association has consistently increased over the years but the owners' fees have not been increased.

Sharon discussed 3 options:

- Suspend our future "reserve" allocation of income for the rest of this year and allocate the funds solely to "insurance"
- Borrow money from the reserve fund via a note, with the intention of paying back to the reserve fund sometime in the future. There was no plan submitted for the future payback.
- Make a permanent transfer from the reserve fund to the insurance, with disclosure that the funds are not intended to be paid back.

Barb suggested a 4th option of a Special Assessment rather than dipping into again or borrowing from the reserve funds.

Jeanne Brennan, CPA, made the following suggestions:

- The Board needs to determine what you deem proper for your reserve fund based on the level of your future needs. A figure would need to be analyzed.
- If you borrow from the reserve fund you break the integrity of the reserve fund, you have to have a resolution, a method of payment, interest, and a new budget sent to the owners. If there is no intent to pay back, you report it as a change in the equity.
- Factor into the next 7 months the cost of the premium and decide if it will include the down payment for the 2012 premium

Jeanne reported the Reserve Account is specified in the budget and not intermingled with insurance premiums or deductibles. The insurance is actually part of Operations and Management, the Insurance was reported separately due to the fluctuation of the insurance premiums following a major hurricane.

Max stated the operating budget is over by approximately \$66,000, to include, fuel for the generator, tree trimming, repairs to vehicles, and beach drainage. He wanted to know how this will affect the reserves should we suspend payments to the fund for the remainder of the year. Sharon stated we should have enough money in cash flow to complete the capital projects.

Max moved we transfer the beach drainage project from expense account to a capital project. Sharon 2nd, all were in favour. Motion carried.

Mapfre Deductible Overview: Bob stated he sent out **Shep Barrows Appraisal** that has a breakdown of building by cost. The total deductible for the entire property is \$520,000. Bob stated that each building is insured separately. Bob suggested we keep in cash flows for insurance deductible \$362,000 which is 70% of the entire deductible.

Bob interjected the policy can be renegotiated in January with Mapfre with same premiums over an 18 month premium.

Vince stated he needed to leave the meeting; his recommendation was to maintain the reserve funds at \$500,000. He would not approve of anything less. He noted that we have consistently had that level of operating reserves. Vince left the meeting.

Max made a motion that the reserve fund for 2011 decrease to \$380,000. Our CPA had suggested a review of what our total reserve would need to be. The amount voted on had not been reviewed or substantiated by any figures. Sharon 2nd the motion. Following discussion, Max called for the vote. Max, Bill, Sharon, and Bob voted yes. Barb and Rosie voted no. The motion carried the Board made a resolution to decrease the reserve fund to \$380,000 with the remainder of funds going to the general operating fund.

The funds (\$68,034.) used for the down payment on the new Mapfre insurance policy were drawn off the reserve fund. Sharon moved the Board resolve to permanently diminish the reserve account by \$68,000 to the General Account. Bill 2nd. Following discussion, Max called the vote. Max, Bob, Sharon, and Bill voted yes. Barb and Rosie voted no. The motion carried.

Barb made a motion to have a special assessment of \$1000 per unit owner to cover the cost of the policy. She stated that we should not borrow from our reserve fund again and must stay on the agreed budget. Rosie 2nd. Following discussion, the amount did not breakdown the amount by each individual unit equity but the total amount needed to be funded. Max, Bill, Bob, and Sharon voted no. Rosie and Barb voted yes. The motion was vetoed.

Max made a motion to increase insurance fees per month by \$60,000 over 5 months. Bill 2nd the motion. Following discussion Max called for the vote. Bill, Sharon, Bob, and Max voted yes. Barb and Rosie voted no.

Sharon moved the Board resolve to decrease payments to the reserve fund from \$12,125, a month to \$4,785 a month and move the difference of \$7,340 a month from the reserve fund to the insurance

fund. Bill 2nd. Following discussion Max called the vote. Bob, Max, and Sharon voted yes. Bill did not respond. Rosie and Barb abstained. The motion carried.

Sharon will work on the revision of the budget.

Max stated we will proceed with the work on the Capital projects.

Jon stated while looking at the breakdown on the insurance, there are 5 systems that are not covered in the breakdown. Max asked Jon to send an email to Shep with the missing systems . Barb requested all Board members receive a copy of the systems problems.

Barb made a motion we contribute \$750 to the little league sponsored by DPNR . Max called the vote, 4 were in favour, Max abstained.