

Commonwealth Terrace Cooperative, Inc.
Board of Directors
Meeting Minutes
October 26, 2016
6:00pm – 7:30pm

Present:**Absent:**

<input checked="" type="checkbox"/>	Kimberly Weaver Olson	Board President	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Michael Herrmann	Board Vice President	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Guisheng Zhang	Board Treasurer	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Chris Crosby	Board Secretary	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Lacee Clark	Board Director	<input type="checkbox"/>
<input type="checkbox"/>	Robert Andrade	Board Director	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Paul Bigwood	Board Director	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Grace Bell	Board Director	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Rong Han	Board Director	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Scott Creer	Housing & Residential Life	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Kris Graham	Manager	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Hadley Adkins	Operations Manager	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Shanea Schmelling	Minute Taker	<input type="checkbox"/>

Total: 7 Present, 1 absent

Meeting Rules

1. Raise hand to speak
2. Two minutes per person
3. Give everyone a chance to participate
4. Stay calm, be respectful and do not get personal
5. Stay at the meeting (even if you get upset)

Meeting Preparation

1. Please read all documents in board packet in advance
2. Please let the group know in advance if you will be late or cannot make it to the meeting

6:30-6:31**Welcome, Choose Time Keeper and Process Assistant**

Timekeeper: Mike Herrmann

Process assistant: Kimberly Weaver Olson

6:02 – 6:08**Scott Creer:** University project updates

- This phase of road project (Knapp Street) is completed.
- Fifield Ave road repair will be delayed one year because of an electrical project changing 22 transformers starting summer 2017.
- Next meeting will provide University results and survey results
- The capital plan attached in the package is a real draft capital plan. The \$90,000 per unit is budgeted to keep the Two bedroom splits going for the next 20 years.
 - Did you look at the costs for tear down and building down for each unit? Current construction is about \$140-\$146 a square foot, but the University would be required to use specific workers and the resident halls are currently at \$300 per square foot.

6:08 – 6:20**House Keeping:**

- Terrace Times article: Grace Bell
- Move the November board meeting to the 5th Wednesday, November 30th because of Thanksgiving and start at 6:30pm.
- Will decide in November if there is a need for a December meeting.

6:20- 6:21**Approve: Packet / Agenda / Consent Agenda**

-this is an add or drop time only leading to an up or down vote. Any concerns or questions with the packet should be attended to during monthly reading of the packet prior to the meeting. (Financial, Management Report, Meeting Minutes, Committee Minutes, etc.) Address questions to Exec Committee or GM.

- **Chris moves to approve; Lacey seconds; 7 approve, 0 opposed.**

6:21 – 6:48**Budget reserve changes and audit discussion with auditor, Steve Bolz**

- Background: Prior to July 2015, the contract with the U of MN was that we gave the U of MN all of the revenue from Rent each month and they then issued a check (Management Fees, reserves, and repayment of invoices that CTC paid for the U.
- This changed July 1, 2015 and CTC now sends a check to the U for University Requirements and we no longer receive a fee back from the U, which had previously been used to fund reserves. This is a percentage increase of the University Requirement that they charged the year before.
- This change is significant in the tax consequences of building our reserves. It is recommended that we no longer add to the reserve accounts and that we purposefully reduce the reserves that have been accumulated. Setting funds aside appears to the IRS as though we are trying to hide income. It is not a good business practice.

The question now is how to best deal with reserves we have already set aside

- June 30, 2016 we have \$720,000 in reserves and it is recommended that a CTC drawdown and take it in as income when you have items outside of your budget. It then becomes an extraordinary item or extra budgetary. Release the reserves to cover those expenses.
- This would result in a net effect of income (taken from reserves) but that income would be offset by whatever expenses that money was used for. The board does need to approve these drawdowns and they do not affect the bottom line. Tax liability- we could owe tax. The addition of reserve fund will create a taxable portion unless used within the fiscal year.

Currently there is a line item for reserves that was planned for the removal of the One bedrooms. Can we have the board take that \$60,000 to spend on an asset without the tax liability? This was budgeted to go into the reserves at a rate of \$5000 a month and if we change it to a different line item, will there be a tax liability? Since it is not being transferred to reserves, the board can make a decision to spend the money elsewhere in the budget.

- We are not putting money in the reserves because of the change in the agreement with the U of MN.
 - By-laws says we can have reserves in section 7. Steve suggests having our lawyer update the by-law language to reflect these recent changes, but recommends that we Keep section 7-d about disbursement. We will want to clean up by-laws.
 - Will want to keep minimum reserves of \$444,000 for security deposits.
 - Carpeting that was in reserves was moved to P&L.
- *The Finance committee will need to be put together to review the Audit in November and the Budget in January.*

6:51

End of meeting

Board Discussion

- A time for the board to have an open discussion with Hadley.