

MINUTES

SAN FRANCISCO SUITES CITY SHARE ASSOCIATION

2010 ANNUAL HOMEOWNERS ASSOCIATION MEETING

MARCH 14, 2010, 11:00 AM

The Meeting was called to Order at 8:00 AM by President Jim White, A Quorum was established, and The Inspectors of Election, Mason Brown, Connie Brown, Linda Burgess and Steve Laden proceeded with vote verification and tally.

The Meeting was adjourned and the Board reconvened in Executive Session to discuss various topics including personnel and individual member issues and communications between Board members and the Manager.

The Annual meeting was reconvened at 11:00 by President Jim White, Board members, Larry Schwartz, Jeff Reichel and Tom Weber were present and introduced. Mary Lou Dion was unavoidably absent. Manager Henry Potter was present as well as Owners, Ede Schmidt, Cynthia White, Don Thomas, Thomas and Lynne Henze, Dan Berger, Juliann Savage, Patty Hoar, Mason and Connie Brown, Linda Burgess, and Steve Laden.

Member Open Forum; Don Thomas discussed Time Share exemptions from the Sterling Davis Act, AB899 which allows Owners to agree to receive electronic communications. Henry will attend a meeting in April for an explanation of the change to Time Share Rules. Cynthia White asked how many Time Share Projects there are in San Francisco, Don indicated there were 9. Mason Brown was introduced and the Board acknowledged his many years of service to the Suites.

The Minutes of the Board Meeting of January 24, 2010 were approved as submitted.

Jim White gave the Presidents Report. He stated the past year had been a great experience for him and a busy time including replacing windows and painting, remodeling 3 Parlor Suites, and the kitchen. Henry instituted positive personnel changes and expenses have been controlled and reduced in many cases.

Henry Potter gave the General Managers Report. A great deal has been accomplished in the past year. He reviewed Staff changes and a positive overview of the financial condition of the Suites. He also stated that remodeling of Parlor Suites is nearing completion and will now accommodate 4 people. The results are excellent and he thanked the Decorating Committee. He reviewed Changes in the Rules and Regulations concerning bonus time and extra charges for roll away beds that are now posted on the web site. An inspection of the roof revealed that it will require repairs this year and bids will be solicited from qualified contractors. He discussed the status of the heating and hot water systems that should be inspected and a determination made as to whether repairs may be needed now or in the near future.

Henry discussed the current status of delinquencies and pending foreclosures. One Owner deeded back their share, a bond guaranteeing title will have to be secured then it will be sold. There are currently 80 delinquencies for past due assessments which were due in January. Henry is working with the Owners to bring them current and working out payment schedules with others. There are 4 units now in foreclosure for delinquent assessments; those interested in purchasing these units will be notified prior to the sale date. A foreclosure auction due to delinquent assessments was held on January 4, 2010 by Stewart Title for 7 Parlor and 2 Master Suites. All were sold and the assessments paid. The City of San Francisco has had 11 Units in foreclosure for delinquent Taxes. They were scheduled to be sold at Auction this spring but the

City has now informed us that due to budgetary constraints they will not be holding tax default sales this year? These units will be offered for adoption to Owners as we have done in the past.

The Financial Report was given by Jeff Reichel, Treasurer and Henry Potter, General Manager. Jeff reported that revenue for the fiscal 2009 year is up, expenses are down and that our financial year was excellent. Total income was \$787,000 compared to a budgeted \$768,000. This resulted from bonus time income, late fees, and proceeds from the sale of foreclosed units, all being significantly higher than budgeted. Total expenses were \$680,000 compared to a budgeted \$768,000. All significant components were better than expected; specifically: Administration costs were \$72,000 compared to budgeted \$86,000. This resulted in significant savings from the cost of mailing Homeowners Association reports (now using more email), a savings in our insurance package and savings in management support. We did however; spend more for bookkeeping and accounting. Ownership resolution expenses were lower than expected, saving \$4000. Payroll expenses were in excess of \$55,000 less than budgeted and this was responsible for much of our overall savings. We spent \$18,000 on repairs and maintenance compared to a budgeted \$33,000. The only area where our expenses were higher than budgeted was in supplies and services, where we spent \$55,000 compared to an expected \$44,000. A major part of this (\$7000) was spent replacing light bulbs as part of a PG&E incentive program that will be financially beneficial to us. Our utility costs were unexpectedly over \$10,000 less than budget. This was hard to foresee.

With our income exceeding budget by 2 ½ % and our expenses approaching only 88% of budget we were in a sound financial position, clearly because of the excellent management skills of Henry Potter. We had a net operating income of \$107,000. In essence we are no longer spending monies received as dues for the coming year to pay for expenses in November and December of the ending year. This may result in some tax liability this year, we will do all we can to minimize that, but it does place us in a position where we can understand our finances better and essentially function closer to a cash basis. However, we are by law under an accrual basis. Because of the steep decline in interest rates we are earning very little in our reserve account because, by law, we are limited to investment in California CD's. This year we will earn \$3000 and we had budgeted \$7600 for interest income.

Jeff and Henry also reported on the new and improved reservation and accounting systems that are in the process of being installed.

The Decorating Committee report was given by Cynthia White. The remodeling of Parlor Suites 24, 34 and 44 is nearly complete except for final details. The Committee, consisting of 5 permanent members and several participating members met and discussed how next to proceed. It was agreed that carpet and furniture has not been replaced in some time, is worn out and should be replaced. It was decided they would tour every Suite in the entire building, inventory and catalogue all necessary repairs and replacement of fabric, furnishings and carpet. Then developed a Master Plan with a phasing schedule and a proposed budget to present to the Board at its next meeting. The Board will then assesses the Plan, determine priorities and establish a phasing schedule, assign a budget and work with the Committee to implement the Plan.

The Results of the Election were announced by Linda Burgess, Inspector of Elections. A quorum had been established earlier and 2 Directors were elected to the Board to fill the vacancies. Jim White and Larry Schwartz were reelected to 2 year terms. The Board elected Officers to serve for 1 year terms. Tom Weber was elected President, Jim White, Vice President, Jeff Reichel, Treasurer, Mary Lou Dion, Secretary and Larry Schwartz, Director at Large. Resolution IRC 70-604 was passed as well.

The election procedure was discussed by Mason Brown and the Board. The instructions and other aspects of the election process were apparently confusing to some and should be clarified

prior to the next election. The Board will review the procedures and make any necessary changes.

Member Open Forum; Tom Henze recommended that a detailed inventory of all antique furnishings and art be done and stored in a secure place for insurance purposes in the event of fire or other damage. Patti Hoar said that a comprehensive appraisal of the antiques was done in 1993 and should be updated. She will contact an appraiser for an estimated cost and report to the Board. Don Thomas suggested a virtual video tour of each room to establish a permanent record. The Board agreed and Patti will provide an estimate. Don Berger believes with some creativity the Suites could increase its food and beverage income and will provide suggestions. Steve Laden stated that the bathroom sinks and fixtures and the cabinets are outdated and should be replaced. Connie Mason commented that the bathrooms should be handicapped equipped. Don Thomas suggested temporary measures might be installed but it was pointed out that in order to make them comply with ADA requirements it would not be practical and extremely costly. Henry will look into installing hand rails. The Members discussed whether or not to repair and restore the antique furniture and art or sell some of the more valuable and easily damaged pieces and replace them with replicas. No resolution to that discussion.

Annual Meeting Adjourned at 12:20 PM.

Tom Weber, President
San Francisco Suites Board of Directors