

Minutes
Board of Directors
GHI Regular Open Session
July 11, 2019

Board Members Present: Brodd, Hess, Holland, James, Jones, Ready, Skolnik and Watkins

Excused Absences: Socrates

Others in Attendance

Eldon Ralph, General Manager

Tom Sporney, Assistant General Manager

Joe Perry, Director of Finance

Stuart Caplan, Director of Technical Services

Joyce Campbell, Audit Committee Member

Carol Griffith, Audit Committee Member

Henry Haslinger

Laura S. Murphy

Erika Brett

Cheryl Brower

Monica Johnson, Recording Secretary

President Skolnik called the meeting to order at 7:58 p.m.

Remove item 7a from the Consent Agenda.

Approval of Agenda

Motion: The Board of Directors does approve the agenda as revised.

Moved: Hess

Seconded: James

Carried: 8-0

1. Announcement of Executive Session Meetings:

2a. Announcement of Executive Work Session Meeting Held on July 1, 2019

GHI's Board of Directors held an Executive Work Session meeting on July 1, 2019 in the Board Room of the Administration Building. Board members Stefan Brodd, Chuck Hess, Ed James, Bill Jones, Steve Skolnik, Tami Watkins and Audit Committee members Joyce Campbell, and Carol Griffith attended the work session.

The following motion to call this work session was made during an open meeting on June 20, 2019 and approved by Board members Stefan Brodd, Chuck Hess, Ed James, Bill Jones, Steve Skolnik and Tami Watkins:

Motion: I move that the Board of Directors conduct an Executive Work Session meeting on July 1, 2019, beginning at 7.00 p.m., to discuss matters related to GHI’s negotiations with the Washington Suburban Sanitary Commission (WSSC) on WSSC’s proposal to replace underground water supply and sanitary pipes for masonry homes.

The meeting commenced at 7.00 pm, and adjourned at 9.05 pm.

Authority for the above closed meetings was derived from Subtitle 6b of the Maryland Cooperative Housing Corporation Act, § 5-6B-19 “Meetings of cooperative housing corporation open to members of corporation or their agents.” Paragraph (e) (1)(VI)

2b. Announcement of Executive Session Meeting Held on July 11, 2019

The meeting has not been completed so no report is being presented tonight.

3. Visitors and Members (Comment Period)

None

4. Living Trust – Revisions: Above the word “BACKGROUND”, “19-AS Hillside Road” should be “19-A Hillside Road”, Under “BACKGROUND”, under Item a: “19 A” should be “19-A”, Second page under “Trust”, item b: Changes”, “19 A” should be “19-A” and “20770shall” should be “20770 shall”.

Current GHI member Barbara D. Dobyms of 19-A Hillside Rd., requests approval of the Addendum for Trust Ownership and Trustee’s Affidavit of Barbara D. Dobyms, Trustee of The Barbara D. Dobyms Revocable Trust of 2019, that is Attachment #3. Barbara Dobyms will serve as trustee and beneficiary under the trust agreement dated February 13, 2019. The Mutual Ownership Contract will be presented for approval under new memberships.

Motion: I move that the Board of Directors approve the Addendum for Trust Ownership and Trustee’s Affidavit of Barbara D. Dobyms, Trustee of the Barbara D. Dobyms Revocable Trust of 2019; thereby allowing her to place the membership and equity interest in 19-A Hillside Road into a living trust dated February 13, 2019.

Moved: James

Seconded: Brodd

Carried: 8-0

5. Approval of Membership Applications

Motion: I move that the Board of Directors approve the following persons into the cooperative and membership be afforded them at the time of settlement:

- **Kashmira T. Baldauf, Christopher S. Baldauf, Tenants by the Entirety;**
- **Stephen D. Carey, Joanne F. Carey, Tenants by the Entirety;**

- James N. George, Sole Owner;
- Laura S. Murphy, Sole Owner;
- Sandra G. Miller, Sole Owner;
- Cheryl M. Brower, Sole Owner.

Moved: James

Seconded: Hess

Carried: 8-0

Motion: I move that the Board of Directors approve the following Mutual Ownership Contract change.

- Barbara D. Dobyns, Sole Owner, changed to Barbara D. Dobyns, Barbara D. Dobyns, Trustee dated 13 February 2019.

Moved: James

Seconded: Ready

Carried: 8-0

6. Committee Reports

Homes Improvement Program – Sporney reported that:

- Windows 54 % completed
- Attics 42% completed
- Doors 30% completed
- HVAC 33% completed
- Siding 28% completed
- Asbestos frame crawlspaces 97% (make safe) 65% (vapor barrel/installation removal) 50% (pipes removal) 46% (air clear) 12% (installation & fans)
- Frame crawlspace electrical 82% completed

Member Outreach Committee: Brodd reported that the committee is sponsoring the New Member Social on Wednesday, August 14. All Board, Audit and Liaisons are encouraged to come.

Woodlands Committee: James reported that the Woodlands Committee was tasked with reviewing the list of trees scheduled to be removed by PEPCO. Inspection is completed.

8. For Action or Discussion

8a. Approve Minutes of Special Open Session Meeting Held on June 6, 2019

Motion: I move that the Board of Directors approve the minutes of the Special Open Session Meeting that was held on June 6, 2019 as presented.

Moved: James

Seconded: Hess

Carried: 8-0

8b. Approve Minutes of Regular Open Session Meeting Held on June 6, 2019

Motion: I move that the Board of Directors approve the minutes of the Regular Open Session Meeting that was held on June 6, 2019 as presented.

Moved: James

Seconded: Hess

Carried: 8-0

8c. Proposed Gardenside & Serviceside Additions at 53-M Ridge Road

On May 15, 2019, staff received a permit request from Mr. Debarota Ghosal, the member at 53-M Ridge Rd. for the proposed construction of one-story gardenside and serviceside additions. The permit request, design drawings and photographs are in Attachment #6.

The original roof slope of frame homes is 8:12, and the existing porch roof slope is 6:12. The proposed roof slope for the gardenside addition is 3:12, and for the serviceside addition, it is 4:12.

GHI rules governing roof lines on additions are as follows:

§X.F.3 Gardenside Additions: “Roof lines of an addition should be of the same type as the original structure or blend with the existing lines”, and

§X.G.5 Serviceside Additions: “Roof lines of an addition should be of the same type as the original structure or blend with the existing lines”.

During the ARC meeting on June 12, 2019, the following points were discussed:

- o There is an existing gardenside addition in the row that has a roof of a similar 3:12 slope.
- o The adjacent neighbor has a flat roof over their serviceside entry porch.
- o The proposed additions will have siding that match HIP improvements (CertainTeed Mainstreet Double 4” colonial lap) and shingles that match the 2019 frame home replacement roofs (CertainTeed Landmark Pro AR Max def Pewter wood).
- o As proposed, the existing shed roof over the entry door would remain and the new roof over the addition would abut it, but not align at the eave or where it meets the exterior wall of the original unit.
- o Other than the flat roof over the neighbor’s door, all other serviceside entry door roofs in the row are of a shed type.

The ARC recommended by a vote of 6-0-0 that the Board of Directors allow the members to construct both the one-story gardenside and one-story serviceside additions at 53-M Ridge Rd. as proposed, contingent on fulfilling the following conditions: a) the existing porch shed roof shall be removed and the serviceside addition’s roof shall be extended over the space that was occupied by the existing entry porch roof; b) the new siding on both additions shall match the siding installed on the main unit during the HIP; c) the new roof shingles on both additions shall match that installed on the main unit during the frame roof replacement program.

Motion: I move that the Board of Directors allow the construction of one-story gardenside and serviceside additions at 53-M Ridge Rd., contingent on fulfilling the following conditions:

- a) **The existing serviceside porch roof shall be removed and the roof of the new serviceside addition shall be extended over the space that was occupied by the existing serviceside porch roof.**
- b) **The new siding on both additions shall match the siding installed on the main unit during the HIP.**
- c) **The new roof shingles on both additions shall match the shingles installed on the main unit during the frame roof replacement program.**

Moved: James

Seconded: Holland

Carried: 8-0

8d. Investment Committee's Recommendation re: Prudent Person Rule & Investment Advisor

Acting on the Investment Committee's recommendation, the Board passed a motion on December 20, 2018 to authorize hiring a fee-only investment advisor to make recommendations for the investment of the financial assets of GHI. GHI's current investment policy allows investments in commercial paper rated BBB or better; corporate notes and bonds rated BBB or better; and mutual bonds having an average rating of at least A.

Two attorneys had previously advised GHI that the standard of care under the Prudent Person Rule stated in Maryland Code, Corporations and Associations section 2-405.1, applies to GHI's investments. The first attorney advised that investments subject to the Prudent Person Rule should be limited to federal-insured deposits, U.S. government securities and other investments insured or guaranteed as to principal by the U.S. government. However, the second attorney advised that GHI's existing investment policy appeared to be in line with the Prudent Person Rule.

After further reviewing the two attorneys' opinions and consulting with three fee-only investment advisors, the Investment Committee prepared the following report:

Investment Committee Report – Prudent Person Rule & Investment Advisor

The Investment Committee reviewed the communications from the attorneys regarding the Prudent Person Rule stated in the Maryland Code, Corporations and Associations section 2-405.1. The Investment Committee also received communications from three fee only investment advisors: Brighton Jones, CliftonLarsonAllen Wealth Advisors, LLC (CLA) and Creative Planning, Inc. Brighton Jones communicated their business model better matched with investors who operated according to the Prudent Investor Rule rather than the Prudent Person Rule. They, therefore, chose not to engage in further discussions with the Investment Committee. CliftonLarsonAllen Wealth Advisors, LLC (CLA) and Creative Planning, Inc. did provide the Investment Committee with copies of their respective service agreements and John Langon, Chief Industry Officer at CLA participated in the conference call with the Investment

Committee. During that call, Mr. Langon also discussed the Prudent Person Rule in which he agreed with the Investment Committee's concern of the Prudent Person Rule that it limits the investment tools of the corporation to investments that are not designed to, at a minimum, keep up with the rate of inflation.

After careful consideration of the information that was provided and discussed by the Investment Committee, we are seeking guidance from the Board of Directors on how to proceed. The Board of Directors directed the Investment Committee to engage a fee-only investment advisor; however, the benefits of engaging an investment advisor under the restrictions of the Prudent Person Rule are virtually insignificant. The Investment Committee recommends the Board of Directors seek assistance from the Legislative and Governmental Affairs Committee to take steps to have the Maryland Code, Corporations and Associations section 2-405.1 revised or otherwise changed such that the cooperative is not hindered by this law. In this economic environment as well as in future years, the cooperative would not be able to effectively maintain its buying power. Inflation would essentially erode GHI's investment assets as a result of this rule.

The Investment Committee recommends this report be provided to the Board of Directors seeking action to address the Prudent Person Rule found in the Maryland Code, Corporations and Associations section 2-405.1 and not to engage an investment advisor until that rule has been addressed.

Motion: I move that the Board of Directors direct that the Manager defer action to hire a fee-only investment advisor to advise the Investment Committee, until further notice.

Moved: Hess

Seconded: Jones

Carried: 8-0

8e. 2018-19 Audit Committee's Recommendations for Improvements

The 2018-19 Audit Committee's report to the membership includes six recommendations for improvements that the Committee requested the Board to consider. The Board and the 2019-20 Audit Committee discussed the recommendations during a work session on June 17, 2019.

This item is on the agenda for further discussion and action. The recommendations, staff's comments and two suggested motions are as follows:

Recommendation # 1: Investments:

- The Board should engage an independent investment advisor (on either a one-time or ongoing basis) to provide professional advice to the Board regarding GHI's investment policy and investment decisions, rather than delegating investment decisions to a volunteer committee whose members may or may not have professional expertise.

Staff's comments: Refer to the prior agenda item above for the Investment Committee's report regarding the hiring of an investment advisor.

Recommendation # 2: Revenue Generation/Subsidiary Corporation(s):

The Board should seek professional advice to develop a sound methodology, using business best practices, to evaluate future revenue opportunities.

- The Board should seek legal guidance regarding (i) the appropriate separation required between GHI, a not-for-profit corporation, and its for-profit subsidiary, GDC; (ii) to develop a written agreement outlining the services GHI provides GDC and fees paid by GDC for those services; and (iii) to update the GDC Bylaws.

Staff's comments: On January 17, 2019, GDC's Board of Directors passed a motion to appoint a task force of the Board to accomplish the following tasks and authorize the Manager to hire a corporate attorney to assist the task force:

- a. Review GDC bylaws and recommend changes that should be made.
- b. Recommend changes to GHI/GDC bylaws that are needed to make it legal and easier for acquisition of additional GDC properties.
- c. Prepare a proposed written agreement of GHI/GDC responsibilities to each entity.

Recommendation # 3: Finance Committee:

- The Board should seek to expand the membership of this committee in order to encourage new ideas and gain a wider range of input.
- The Board should request that the committee seek a broad range of funding opportunities (e.g. grants, tax credits) for capital improvements to the GDC-owned apartments.

Staff's comments: The Board should request the Member Outreach Committee to assist in recruiting member-volunteers with the requisite expertise, to serve on the Finance Committee.

On January 17, 2019, GHI's Board of Directors directed the Finance Committee to review the capital improvements plan for the Parkway Apartments and recommend sources of financing for the planned improvements by June 30, 2019.

Recommendation # 4: Operating Surpluses:

- The Board should reinstate the practice, discontinued in 2014, of considering, each year, how operating surpluses from the prior year should be allocated. Such allocation should be made in accordance with the GHI Bylaws.

Staff's comments: Article VIII. Financial Regulations §3. Disposition of Savings. states, *"If during any fiscal year the income from operations of the Corporation shall exceed its expenses, the net income (frequently called savings or net savings) shall be used first to remedy any deficit from previous operations, and second to create such reserves as the Board of Directors may deem necessary to protect the Corporation. Insofar as is practicable, all such reserves (appropriations of surplus) shall be funded reserves. Any excess then shall be used in such manner as the membership may determine provided that these provisions are subject to the obligation of the Corporation to fulfill its contractual obligations, including compliance with the terms of any financing or conditions of purchase of property of the Corporation"*.

Past operating surpluses contributed to a build-up of the unreserved operating fund component of members' equity. On November 15, 2018, the Board passed a motion to approve a \$1,051,819

allocation of the unreserved operating fund to each home group, distributing 62% to frame, 36.2% to masonry, and 1.8% to larger homes. The allocation is to be accounted for as follows:

- For larger homes, the \$18,933 increases their replacement reserves balance.
- For masonry homes, the \$380,758 goes first to cover any negative equity due to crawlspace improvements, then any remainder goes to the contingency fund for masonry homes.
- For frame homes, the \$652,128 goes to cover any negative equity due to asbestos remediation.

The utilization of the full unreserved operating fund reduced or eliminated negative equity resulting from costs for asbestos remediation and crawlspace improvements, thus creating an opportunity to reduce fees for the 2019 budget and going forward.

The Board should request the Finance Committee to recommend how the operating surpluses from a prior year should be allocated.

No Action.

Recommendation # 5: Contingency Reserve Funds:

- The Board should consider a policy change so that future contingency reserve funds may only be expended when there are no unallocated operating surpluses available from a prior year. (In 2017-2018, masonry and frame contingency reserve funds were expended to fund asbestos remediation when there were operating surpluses available from prior years.)

Staff's comments: The Board should request the Finance Committee to recommend whether there should be a policy change; whereby contingency reserve funds are only expended when there are no unallocated operating surpluses available from a prior year.

No Action.

Recommendation # 6: Board Strategic Planning Session:

- An idea has been proposed that the next strategic planning session should be held as part of a weekend retreat. The Audit Committee recommends that strategic planning sessions be held in a location readily accessible by the membership, so that members may attend and make comments in accordance with Maryland state law.

8f. City of Greenbelt's Plan to Renovate the GHI Playground at 2 Court Research Road

Asst. City Manager David Moran recently informed GHI's Manager that the City's FY 2020 Budget includes a proposed renovation/replacement of the playground at 2 Court Research. The project is contingent on grant funding.

Attachment #7. is the application the City submitted to the State under their Community Parks and Playground Grant (CPP) program for FY 2020. The application includes a preliminary design for this playground which would serve children aged 5-12. Unfortunately, the City was recently notified by the State that it was not approved for CPP funding in FY 2020. The

estimated total cost for this playground is \$66,900 and GHI's estimated 25% share would be \$16,700.

The City is now seeking to use some of its Program Open Space (POS) Funds for this project. This also requires State approval. Given the complexity of the POS approval process, this work would likely be done in the Spring of 2020 if approved.

8g. Review Minutes of the 2019 Annual Membership Meeting

Attachment #8. is a draft of the minutes of the May 9, 2019 annual membership meeting. After the Board reviews and accepts the minutes, they will be included on the May 14, 2020 annual meeting agenda for review and approval by the membership.

Motion: I move that the Board of Directors accept the draft minutes for the May 9, 2019 annual membership meeting as revised on July 11, 2019 and direct staff to include them on the agenda for the May 14, 2020 annual membership meeting, for review and approval by the membership.

Moved: Hess

Seconded: James

Carried: 8-0

9. Items of Information

9a. Board 12 Month Action Plan and Committee Task List

9b. Monthly GHI and City Calendars

9c. President's Items

9d. Board Members' Items

9e. Audit Committee's Items

9f. Manager's Items

Motion: To adjourn.

Moved: Hess

Seconded: James

Carried: 8-0

The meeting adjourned at 9:38 p.m.

Ed James
Secretary