



**2019
SPECIAL FINANCE
MEETING &
QUARTERLY
TOWNHALL**

SEPTEMBER 9, 2019

**ORENSTEIN BUILDING
15-17 BIALYSTOKER PLACE**

AGENDA

- Review 2018 financials and 2019 YTD highlights
- Share Hillman's revised budgeting process
- Discuss what's ahead for the Finance Committee and Board
- Discuss real estate taxes and brainstorm ways shareholders can get involved / help
- Share recommendations from auditor
- Townhall and open Q&A



FINANCIAL CHALLENGES

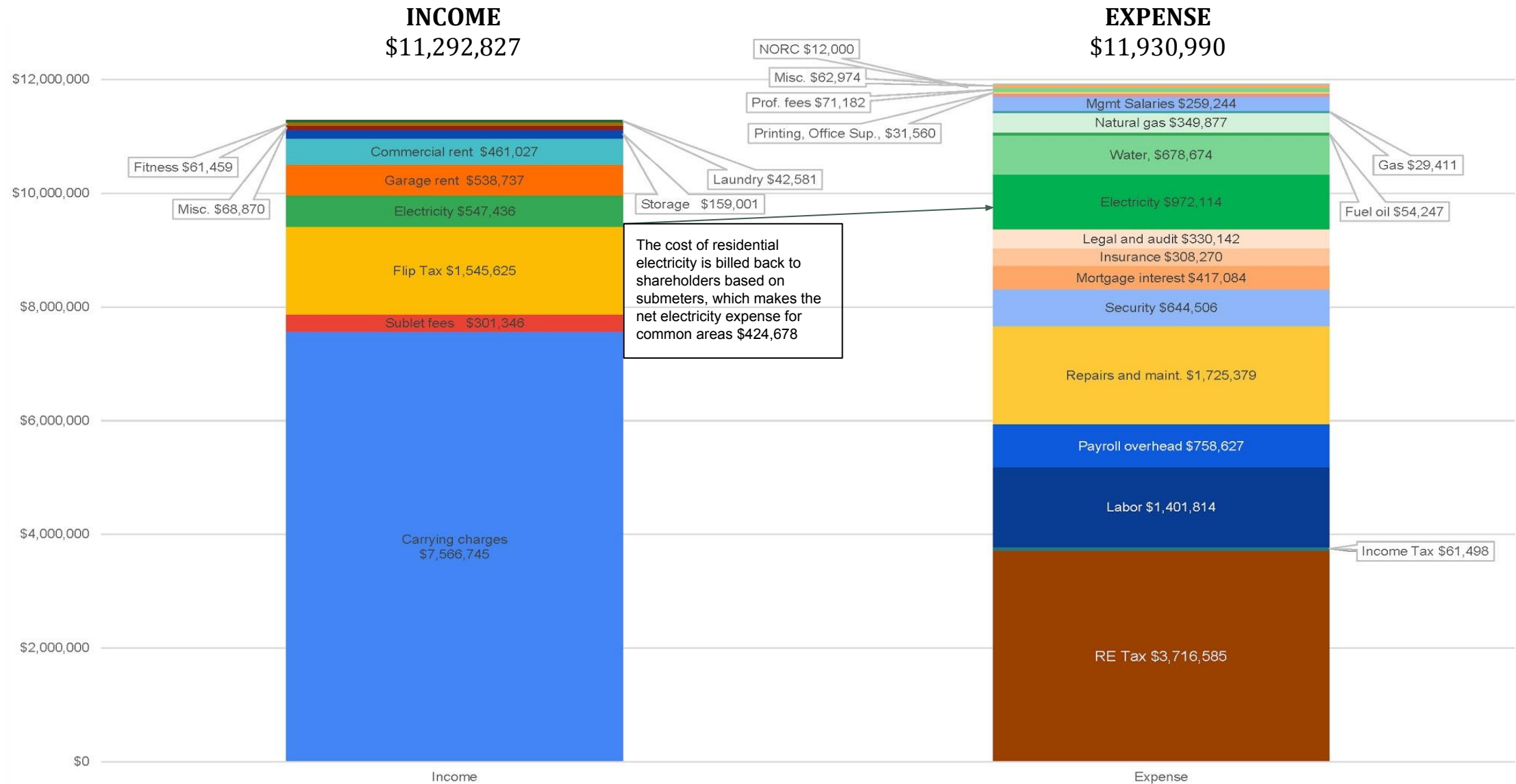
- The Coop needs to prepare to upgrade our aging infrastructure for current and future (5-10 years) compliance (roofs, gas lines, Local Law 11, Climate Mobilization Act, building codes, etc.)
- Real estate taxes are putting pressure on many NYC coops like Hillman
- Commercial real estate - maximizing income
- Real estate market - sales are unpredictable
- Hillman's overall financial standing needs improvement - reserves & financing
- Planning and financial controls



GOALS AND STRATEGY

- Longer term capital planning - smoothing out the shocks & investing in Hillman's future (improved infrastructure & reduced costs)
- Near term review of operations to look for ways to reduce spending
- Improve our overall financial controls and spending discipline
- Longer term planning for improving commercial income streams
- Shareholder involvement

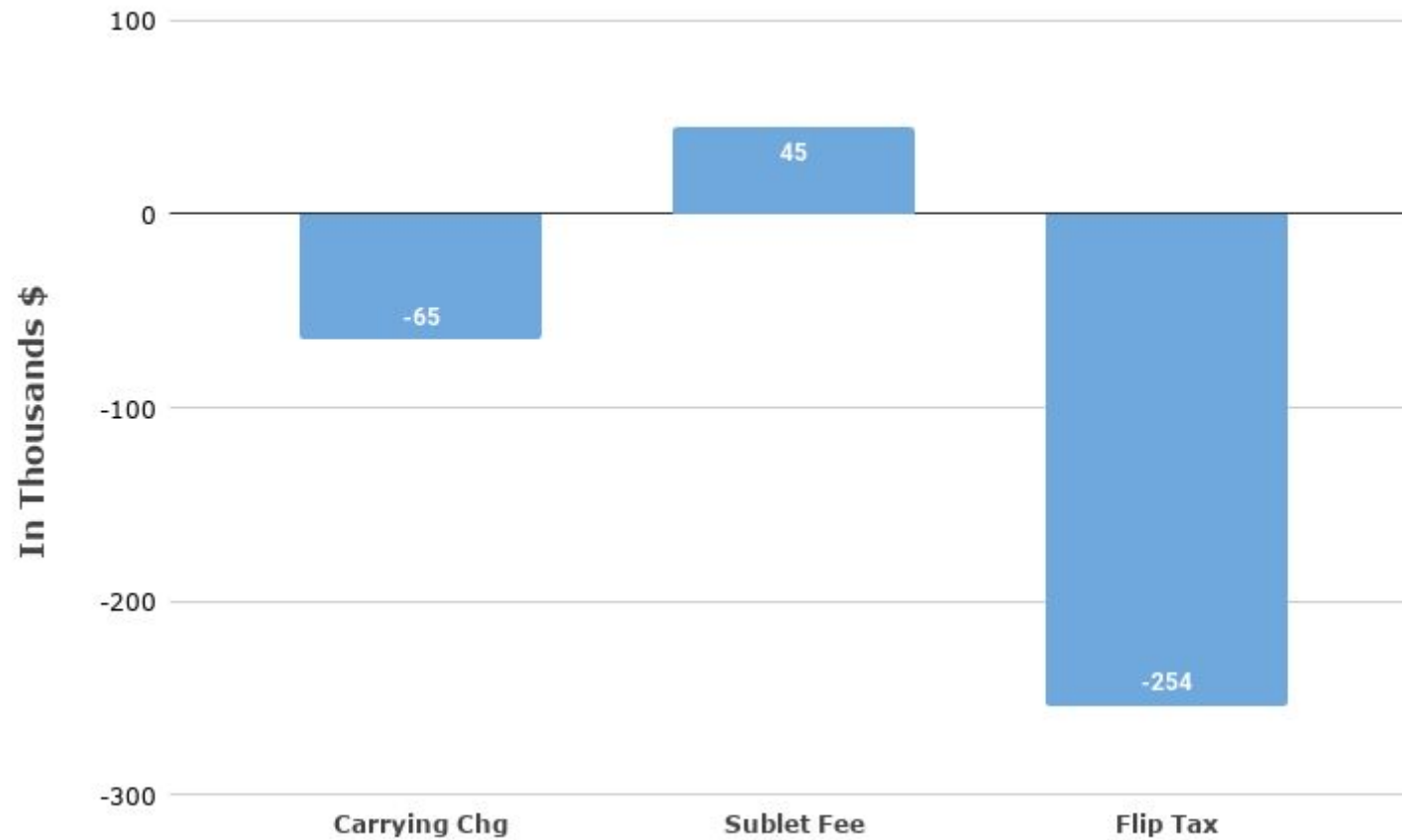
2018 Income and Expenses



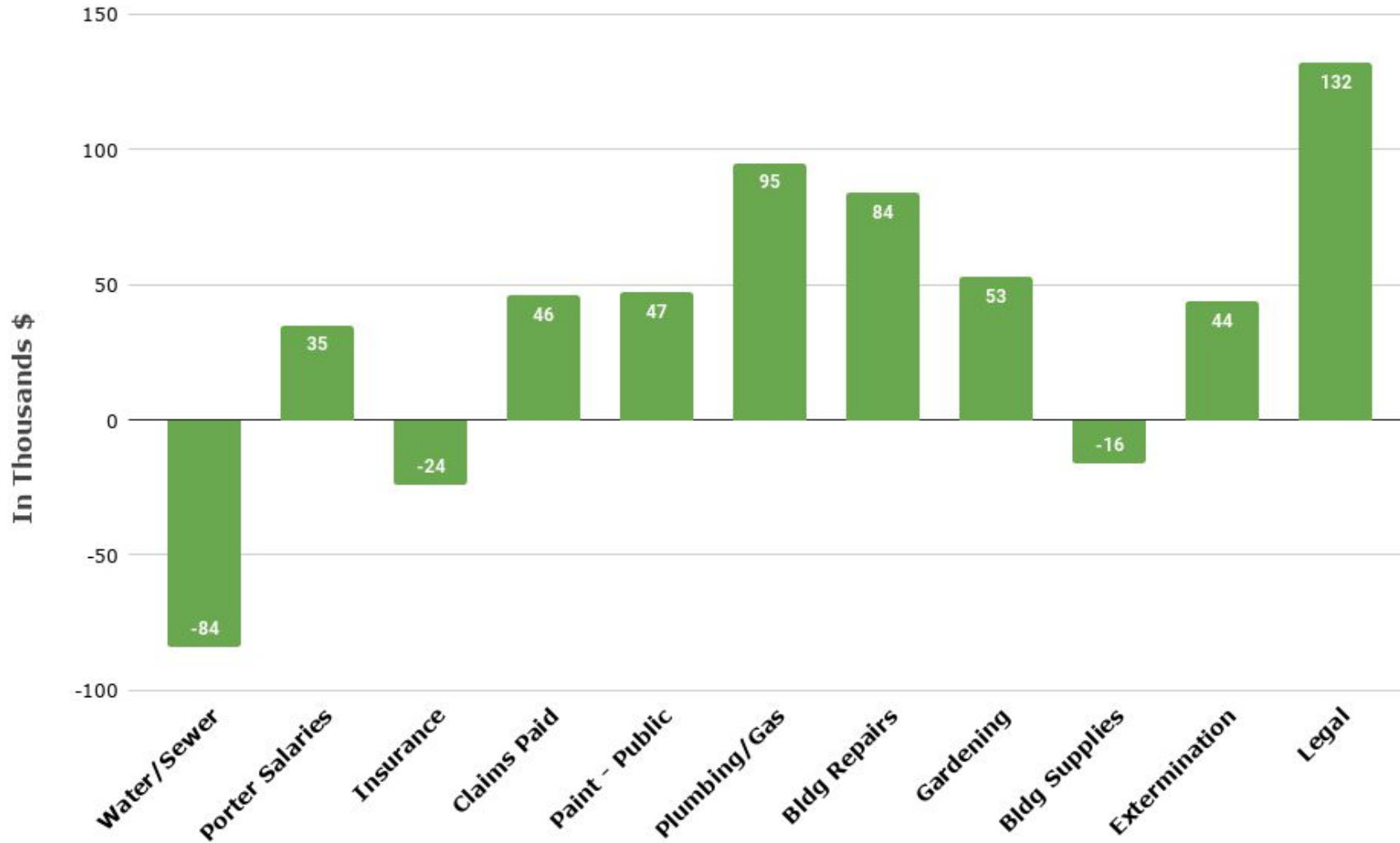
2018 - ACTUALS VS. BUDGET*

	Budget 2018	Actuals 2018	Variance
Income	\$11,620,880	\$11,292,827	(\$328,053)
Expenses	\$11,484,766	\$11,930,990	\$446,224
Profit (Loss)	\$136,114	(\$638,163)	(\$774,277)

2018 Variances - Income*



2018 Variances - Expenses*



*Variance information for 2018 was calculated by comparing audited accrual-based 2018 financial statements with an internal cash-based budget. As such, they may reflect timing differences as well as differences in categorization between the budget and audited financial statements. In order to better track expenses in the future, the board has requested an accrual based budget for 2020.

2019 Budget - YTD Challenges

- Current budget tracking is on a cash basis, (which means when items are paid/received) rather than accrual basis (which means when earned/incurred) which may result in timing differences that distort variances
- RE Tax amount for July-June fiscal year is finalized by NYC Dept. of Finance mid-year, so the (calendar-year) budget line for RE Tax includes a projection for the second-half of the year. 2019 budget estimated a c. 7% increase in RE Tax liability for the second half of 2019, but actual increase was c. 14%.
- Including RE Tax, the board has identified \$571K in projected 2019 spending for items that were not specifically budgeted for. A number of these items, especially capital costs, are of a type that the board is working to account for in its future capital and operating budgets.
- Flip tax 2019 budgeted at \$1.55 million, YTD including sales in progress = \$1.44 million



STEPS TAKEN IN 2019

- Raised maintenance and user fees in January 2019
- Instituted more robust budgeting process for 2020
- Instituted a mid-year freeze for non-essential cost lines and eliminated spending (security guard detail reduction)
- Requested management to identify ways of reducing costs in other lines (e.g. water usage)
- Planned dialog with East River Housing over shared costs
- Controls - signing authority
- Stopped collection of shareholder parking taxes



Reserves, Financing Summary

- 25% of flip taxes for the past few years was put in separate account to fund capital expenditures or other needs
- Funds that were set aside were incorporated into the budget for the assessment covering elevator modernization and CVS roof
- Overall budget was \$5.5 million of which approximately \$2.5 million was to be from the assessment, \$1 million from the fund and \$2 million to be financed on Hillman's floating rate credit line with New York Community Bank our mortgage holder
- We expect to begin using funds from the credit line in October 2019
- The main building mortgage is at a rate of 3.5% and matures in July 2023, we will look for longer term funding in advance of maturity

AUDIENCE CHECK

More details on 2018 financials? go to page 17
Had enough? let's switch to 2020 budgeting...

2020 BUDGETING: INTRODUCTION

- The Board approved a revised budget process in July 2019, for 2020 budgeting.
- The new process starts in late September / early October and finishes in December (2+ months long).
- The new process also includes enough time to solicit input from the House Committee and / or shareholders more broadly.
- The new proposal also includes new templates for reporting as well as clarified roles and responsibilities across the Board, the Finance Committee and Management.



2020 BUDGETING: BENEFITS

- The earlier start allows 2+ months for the Finance Committee to request additional analysis and due-diligence from Management, or ask for help with vetting from the Buildings & Grounds Committee or the House Committee.
- The Board will deliberate the budget over three Board meetings (October, November and December), which will make the output more thoughtful and less rushed.
- The check-point to solicit feedback outside the Board will ensure that potential contentious decisions are vetted as much as possible (i.e. that shareholders are supportive of budget decreases or increases).



LOOKING AHEAD

- Develop more robust capital improvement planning process
- Institute additional budget controls including timely detailed monthly reports and mid-year budget adjustment
- Deepen the collaboration with the House Committee Finance Sub-Committee
- Institute quarterly survey for boiler room and Maintenance department to better understand short and long-term needs and opportunities

REAL ESTATE TAXES

- Valuation, based on comparable rentals, increased by c. 6 percent last year & 14 percent this year.
- Board members have met with Council Member Chin's chief of staff, seeking meetings with Borough President & Department of Finance as well as state legislators
- Other resources - Council of Cooperatives and Condominiums, other coops, shareholders
- Current certiorari attorney is Tuchman, Korngold, Weiss, Liebman & Gelles

WHAT ELSE CAN THE BOARD, HOUSE COMMITTEE OR SHAREHOLDERS DO?

RECOMMENDATIONS FROM AUDITOR

- Internal Controls - Segregation of duties, cash collections
- Documentation - Improve supporting documentation for expenditures
- Automation/Efficiencies - Fixed asset program, audit preparation schedule
- Data Security - Password policy, consistent off-site backup



TOWNHALL AND OPEN Q&A

Moderated by: John Sharples and Dan Grigsby

THANK YOU!

REMINDER:

*You can always submit
Board-related issues in writing to:*

Hillman Board of Directors

Cooperative Village

530 Grand Street

New York, NY 10002

hillmanboard@gmail.com





APPENDIX

DETAILED 2018 FINANCIALS

BOARD OF DIRECTORS

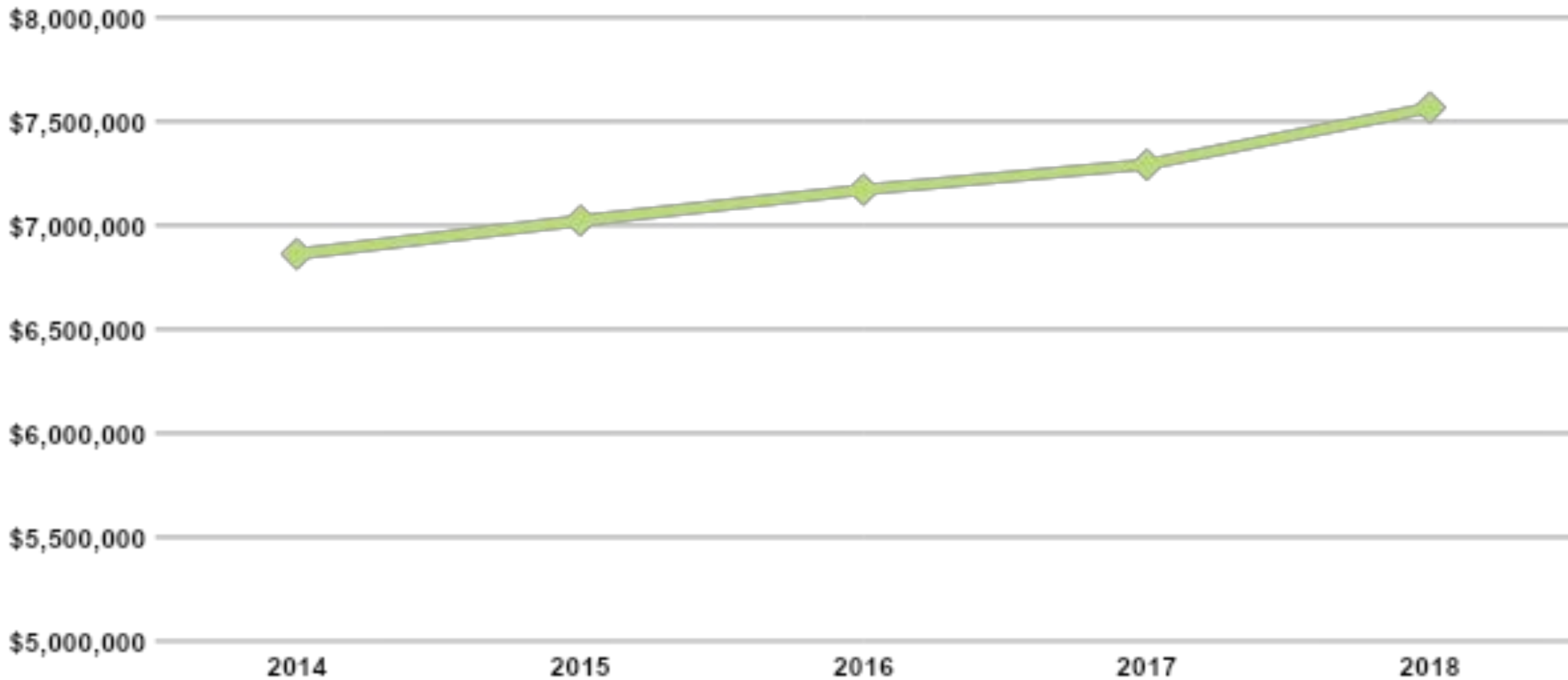
- **President: David Brown**
- **Vice President: Dave Eng**
- **Treasurer: Ted Greenberg**
- **Secretary: Elizabeth DeGaetano**
- **Members: Loe Beine, Aaron From, Dan Grigsby, Russ Moss
Mathew Quezada, John Sharples, Kira Wizner**

REVENUES (tabular)

2014-2018

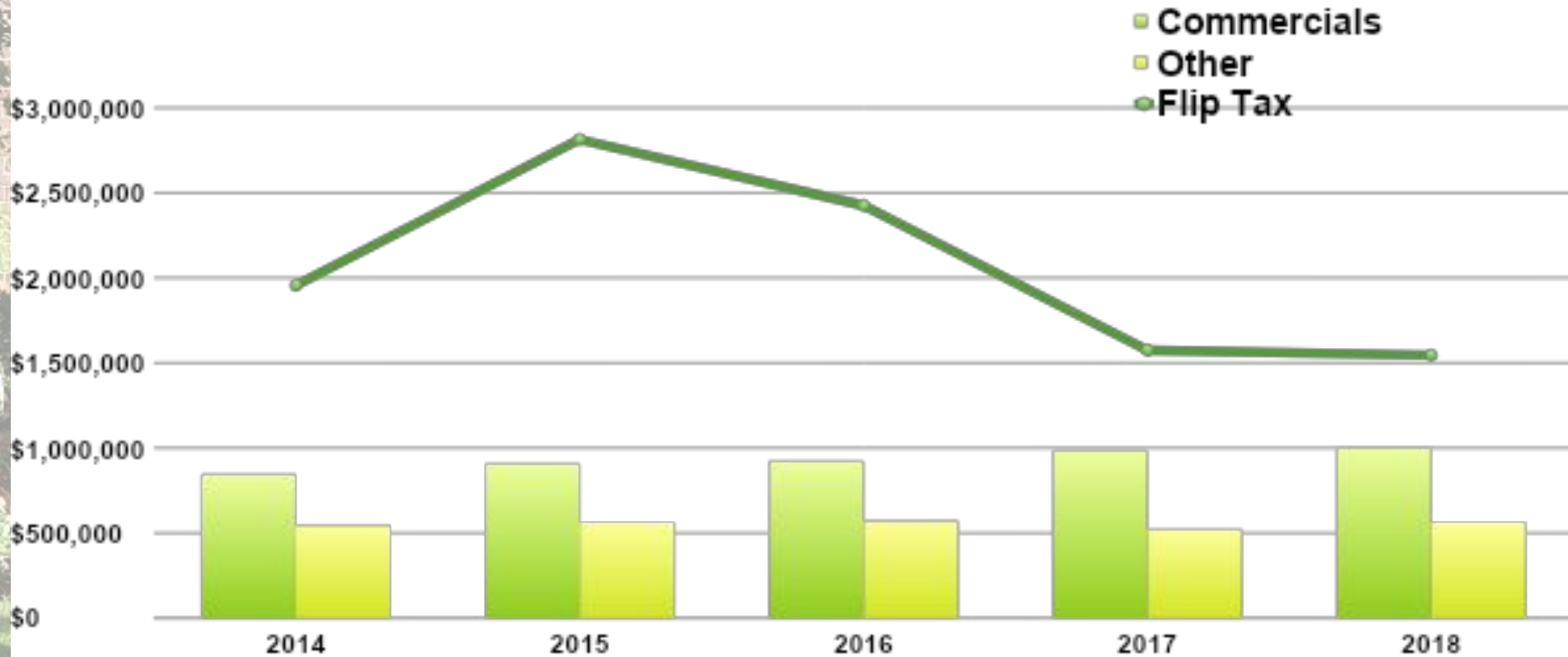
Item	Year	2014	2015	2016	2017	2018
Carrying Charges		\$6,862,509	\$7,022,766	\$7,171,007	\$7,292,488	\$7,566,745
Flip Tax		\$1,957,100	\$2,813,950	\$2,426,390	\$1,575,250	\$1,545,625
	1 st sale	15 apts	19 apts	13 apts	9 apts	9 apts
	2 nd sale	18 apts	17 apts	11 apts	9 apts	6 apts
Commer. Rent & Parking		\$845,629	\$909,446	\$922,036	\$986,566	\$999,764
Other Selected Items		\$547,026	\$565,901	\$572,965	\$523,275	\$564.387

CARRYING CHARGES (chart) 2014-2018



REVENUES (chart)

2014-2018



EXPENSES (tabular)

2014-2018

Year Item	2014	2015	2016	2017	2018
RE Taxes	\$2,973,890	\$3,085,765	\$3,321,629	\$3,506,412	\$3,716,585
Fuel, Water & Sewer	\$1,278,764	\$1,256,129	\$1,167,423	\$996,921	\$1,082,798
Repairs	\$1,362,395	\$1,296,738	\$1,406,461	\$1,822,134	\$1,725,379
Labor	\$1,237,520	\$1,295,667	\$1,288,161	\$1,324,638	\$1,401,814
Payroll Overhead	\$673,018	\$685,361	\$690,362	\$709,293	\$758,627
Security	\$413,362	\$433,584	\$430,790	\$576,794	\$644,506
Legal & Audit	\$115,818	\$172,473	\$201,011	\$198,663	\$330,142
MGMT & Office	\$462,312	\$444,418	\$456,956	\$464,243	\$470,762

REAL ESTATE TAXES (chart) 2014-2018

