Park View Cooperative
Financial Practices and Past Performance

Financial Management Structure

Park View has a Finance Committee, with one member of the committee serving as Treasurer. There is periodic rotation in the Treasurer position among committee members with requisite skills. The Treasurer has primary responsibility for financial oversight: assuring that expenditures have necessary authorization; monitoring of the annual budget; and for financial planning.

We have an explicit system for authorizing expenditures: based on budgeted line items; delegation of authority to the Physical Management Committee for repairs costing up to $1500; requirement of Board approval of expenditures greater than $1500; and the requirement of three bids for large projects unless explicitly waived by the Board.

For most of Park View's history we had a paid part time Bookkeeper, a position filled by various Park View members. In 2019 we made a major adjustment, eliminating the Bookkeeper as a paid position and establishing a system in which specific bookkeeping tasks were assigned to five Finance Committee members; this saved $4640 annually—the functional equivalent of a $32 increase in our monthly carrying charges. This offset any potential need to increase carrying charges (bolstering our affordability) and increased our contribution to reserves.

Annual Budgeting Process

The calendar year is our fiscal year. Our budgeting process begins in October and extends through the last three months of the year, with successive drafts presented to the Board and a final budget approved at our December Board meeting. It is the Treasurer's responsibility to develop each draft, going line by line through the operating budget to assess whether and why each item is — over / under / or right on track: so as to project spending for each line over the remainder of the year, and using this analysis to recommend a budget for the next year.

For most of our history the Treasurer first presented each draft to the Finance Committee for review and revision before presenting it to the full Board. Recently we have made an effort to engage all Board members more robustly in the process, first by forming a budget team consisting of some members of both Finance Committee and Physical Management; and then by having the full Board conduct the review and revisions of successive drafts. The Physical Management Committee and the full Board have always been directly involved in assessing our capital needs and planning our reserve spending in each annual budget.

Mortgage History

In 1994, after a succession of loans and refinancing during the first ten years of the co-op, Park View had three mortgages which would remain in place during the next two decades: a $173,500 loan from Shawmut Bank (subsequently assumed by Fleet and then Sovereign); a $25,000 loan from Cambridge Neighborhood Apartment Housing Services (CNAHS); and a $67,410 loan from Boston Community Loan Fund (BCLF). The Shawmut/Fleet/Sovereign loan had a variable interest rate, and so the total mortgage payments fluctuated over time; but toward the end of the payment periods for the loans, Park View's total annual payment for the three mortgages was about $23,000.

We paid off the CNAHS and BCLF loans in 2009, and the Sovereign loan in 2012. The result was that expenses in our annual budget were reduced by about $8500 in 2010 and by another $14,500 in 2013, for a total reduction of about $23,000. We did not reduce our carrying charges based on this reduction in operating expenses; instead, a relatively small portion of the savings were used to cover increases in other budget lines, and the large majority of the savings were used to significantly increase our annual contribution to capital reserves, which more than doubled from about $17,000 in 2007 to $36,000 or more in 2013 and subsequent years increasing to $40,000 plus.

Lines of Credit

From 2000 to 2017 Park View had a revolving line of credit with BCLF, starting at $20,000 and increasing to $60,000, for the purpose of financing share loans. This functioned as a pass through, with Park View drawing on the line of credit in order to provide share loans to members, with identical terms in the loans from BCLF.

In 2017 we terminated the line of credit with BCLF and replaced it with a $60,000 revolving line of credit with the Cooperative Fund of New England (CFNE). While the amount was the same, the CFNE line of credit had lower interest and an option for a longer amortization period. In addition, the the CFNE line of credit allowed for capital needs and bridge loans for unit buy-outs. These options provided greater flexibility in the management of our funds.

Currently we anticipate securing a $100,000 business line of credit with Cambridge Savings Bank (CSB) in addition to the CFNE line of credit. In the short term, the CSB line of credit will enable us to start the building upgrade project during the short interim between Affordable Housing Trust approval of funding and closings on our loans with the Trust and CSB. In the longer run, the CSB line of credit will allow additional flexibility in our management of cash flow.

Reserve Planning

In 1998 Park View hired Noblin & Associates to conduct a replacement reserve study. Based on Noblin's recommendations, we developed a 14-year reserve plan designed to address the building's most urgent needs, while keeping carrying charges affordable, in order to reach the point in 2012 where we would have paid off all of our mortgages and could substantially build up our reserves in order to address the building's needs more comprehensively. For example, the reserve plan budgeted for boiler replacement but deferred window replacement. Following the paying off of our mortgages we followed through with a large increase in our contributions to reserves.

In 2014 and 2015 we had to replace two plumbing stacks and renovate three bathrooms, at a combined cost of about $120,000; and shortly after that we learned that our roof needed to be replaced, which at the time we could not afford to do out of our remaining reserves. This prompted us to approach CDD and the Historical Commission initially about the possibility of funding for the roof replacement, which led to broader discussions about financing for a comprehensive building upgrade.

In 2015 we hired Tom Nutt-Powell, Capital Needs Unlimited, to do a complete capital needs assessment. CDD has received the many versions and updates based on the various project scopes discussed. His continued involvement and advice have been instrumental throughout the many phases of the project development. Tom is the author of the fully funded, 20 year capital reserve plan CDD has required and received.

Conclusion

Park View Cooperative has practiced sound financial management from the beginning. We have a strong base of knowledge, and through our cooperative work, our members have acquired the ability to read financial reports; create a budget; and plan accordingly.

We are always looking to the future, and considering ways to improve our practices and find ways to develop the capacity for new members to take part. The Cooperative Fund of New England has agreed to assist in this endeavor: by providing financial workshops for current members and materials for incoming members. Knowledge, gained through experience and training are the foundation of our success. We depend on the sweat equity of our members.