

MANAGER'S MEMORANDUM

TO: GHI Board of Directors

FROM: Eldon Ralph, General Manager

DATE: January 15, 2021

SUBJECT: Items for the **GHI REGULAR SESSION** Board Meeting on
January 21, 2021

GHI Open Session Meeting

6a. Approve Minutes of Special Open Session Meeting Held on December 17, 2020 – (Attachment #2)

Motion: I move that the Board of Directors approve the minutes of the Special Open Session meeting, that was held on December 17, 2020 (as presented/as revised).

6b. Approve Minutes of Regular Open Session Meeting Held on December 17, 2020 – (Attachment #3)

Motion: I move that the Board of Directors approve the minutes of the Regular Open Session meeting, that was held on December 17, 2020 (as presented/as revised).

6c. Review Minutes of the Annual Membership Meeting Held on October 29, 2020 – (Attachment #4)

Attachment #4 is a draft of the minutes of the October 29, 2020 annual membership meeting. After the Board reviews and accepts the minutes, they will be included on the 2021 annual meeting agenda for review and approval by the membership.

Suggested motion: I move that the Board of Directors accept the draft minutes for the October 29, 2020 annual membership meeting (as presented/as amended) and direct staff to include them on the agenda for the 2021 annual membership meeting, for review and approval by the membership.

6d. Preparations for the 2021 Annual Membership Meeting

On November 5, 2020, the Board agreed by consensus that the 2021 annual membership meeting should be held on May 13, 2021. If the meeting is to be held on that date,

preparations should begin now, e.g., the Nominations and Elections (N&E) Committee usually publishes its Candidate Packet in January and staff must select a venue soon if an in-person meeting is held.

Due to public gathering restrictions that are currently in effect because of the COVID-19 pandemic and uncertainty about when the restrictions will be lifted; it is highly possible that GHI may not be able to hold a wholly in-person meeting on May 13, 2021. Hence the Board should consider which of the following options should be selected for the 2021 annual meeting:

- a) Hold a wholly virtual annual meeting on May 13, 2021. Staff would hire Get Quorum (the company that hosted the 2020 annual meeting) to host the meeting.
- b) Hold a hybrid (in-person and virtual) annual meeting on May 13, 2021. Staff would hire Get Quorum to host the virtual component of the meeting. *(Aside from members who officiated at the 2020 annual meeting, only two members attended the in-person meeting. Also, it was technically challenging to synchronize communications between in-person and virtual participants during the meeting).*
- c) Postpone the 2021 annual meeting to a later date after public gathering restrictions are lifted, for the purpose of holding a wholly in-person meeting. If the restrictions are not lifted by the end of July 2021, proceed to hold either a wholly virtual or hybrid meeting in October 2021.

This item is on the agenda for discussion and action.

Suggested motion: I move that the Board of Directors stipulate May 13, 2021, beginning at 7:30 p.m. as the date for holding a (wholly virtual/hybrid) 2021 annual membership meeting.

6e. Next Steps in Planning for the Future Repair/Replacement of Water Supply/Wastewater Pipes in Frame and Masonry Homes – (Attachment #5)

In GHI's replacement reserves plan, wastewater pipes in frame homes are scheduled for repair/replacement during 2024 to 2028; the water supply pipes were replaced during 1981-82 and have an estimated life of 50 years. Water supply and wastewater pipes in masonry homes are scheduled for repair/replacement during 2030 to 2034.

The following actions have been undertaken in pursuit of an initial evaluation of the water supply and wastewater pipes:

- December 20, 2018 – the Board accepted a report from the Buildings Committee on pipe repair/replacement options.
- January 17, 2019 – based on the Buildings Committee recommendation, the Board approved hiring a consultant to evaluate and provide a written report on pipe rehabilitation options with cost estimates.
- February 20, 2020 - the Board approved a contract with ETC Inc. to undertake the following actions regarding the pipes in frame and masonry homes.

- Provide a written report on repair/replacement options for both water supply and wastewater pipes.
- Provide a written report on the current performance of epoxy lined pipes in 2 GHI units at 62-A and 62-B Crescent Rd., including water quality tests.
- Design a pilot study to evaluate both the repair and replacement of piping systems in frame and masonry homes.

ETC Inc. completed the following components of the work scope during 2020:

Evaluation of Pipes in Frame & Masonry Homes	Cost
Inspection, Frame homes waste pipe, 20 buildings, 106 units	\$9,500
Inspection, Brick homes waste pipe, 8 buildings, 40 units	\$3,600
Inspection, Brick Homes supply pipe, 8 buildings, 40 units	\$4,100
Inspection, Block homes waste pipe, 6 buildings, 36 units	\$3,200
Inspection, Block Homes supply pipe, 6 buildings, 36 units	\$3,700
Evaluation/Report of findings	\$7,400
Evaluation/Report of epoxy lined pipes, 2 units	\$3,400
Total	\$34,900

The Board reviewed the ETC report on November 19, 2020. Acting on the Building Committee’s recommendation, the Board decided to cancel the final phase of ETC's work scope to design a pilot project for the repair/replacement of the pipes for a cost of \$11,000.

ETC provided responses to several questions (attachment #5) that a Board member and staff asked, following the Board meeting on November 19, 2020.

Staff suggests that at a minimum, a pilot program should be undertaken in 2022 or 2023 to determine the costs of repairing/replacing the wastewater pipes in one or two rows of frame homes and assess the accommodations that must be made to minimize the disruption of such a project on members’ lives.

This item is on the agenda for discussion and action.

Suggested motion: I move that the Board of Directors direct the Buildings Committee to recommend the next actions that should be undertaken in planning for the future repair/replacement of pipes in frame and masonry homes.

6f. Consider Actions GHI Should Pursue to Overcome Investment Restrictions Imposed by the Prudent Person Rule

The Board’s 12-month action plan states that GHI should pursue legislative action to address Prudent Person Rule restrictions on GHI investments. Our 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 previously advised 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 which the Board reviewed on July 11, 2019:

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.

Following discussion of the Investment Committee's report on July 11, 2019, the Board passed a motion that directed the Manager to defer action on hiring a fee-only investment advisor to advise the Investment Committee, until further notice. The Board did

not act on the Investment Committee's recommendation that the Legislative and Governmental Affairs Committee should take steps to have the Maryland Code, Corporations and Associations section 2-405.1 revised or otherwise changed such that GHI is not hindered by this law.

This item is on the agenda for the Board to consider the next steps that should be taken.

Suggested motion: I move that the Board of Directors direct the Legislative and Government Affairs to consult with the Investment Committee and recommend by _____, specific actions that GHI should pursue to have the Maryland Code, Corporations and Associations section 2-405.1 revised or changed so that GHI's investments are not hindered by this law.

6g. Substitute Holidays for Staff During 2021

GHI full time regular employees are offered eleven holidays per year which include the day after Thanksgiving and Christmas Day. During 2021, the day after Thanksgiving (November 26) falls on Friday of a compressed work week, when the office will be closed. Christmas Day falls on Saturday; hence this holiday would normally be observed by staff on December 24 which also falls on Friday of a compressed work week when the office will be closed.

To maintain our holiday policy, staff requests that the Board designate two floating holidays for full-time staff as substitute holidays for November 26, 2021 and Friday, December 24, 2021.

Suggested motion: I move that the Board of Directors authorize two floating holidays for full-time staff as substitutes for Friday, November 26, 2021 and December 24, 2021 This is a one-time adjustment necessitated by the compressed workweek schedule during 2021.