# Stoney Brook Homeowners Association

## **FINAL MINUTES** JOINT FINANCE & LONG-RANGE COMMITTEE MEETING

The Finance and Long-Range Committees had a join meeting on October 21st at 2:30 PM in the SB clubhouse   The following members attended: Craig Weber, Jack Kiner, Paul Anderson, Hal Fireman, Bob Buckley, Bill Letson, Trina Shanks, and chairman, John Cowan.   Stewart Lowenstein, Mike Pederson, Vince DiBiase, Mark Winski and Ila Adams did not attend. Uli Kappus was only available briefly at the beginning of the meeting.

Updated financials through September were distributed in advance of the meeting, which included estimated 2021 YE totals.  A 5-year plan was provided and later updated. That plan was presented and reviewed during the meeting.  It showed estimated Operational Cash Flow projection of $272k compared to the $278k budgeted.  There were no questions about the 2022 operations budget.

The committee reviewed the Operational (OR) and Capital Reserve (CR) balances and proposed expenditures in the 5-year plan.

**Painting –** New 8-year schedules were provided which reflect a full painting cycle which total $703k or an average of $90k/year.  Any year we are under that average cost the extra funds need to be accumulated and banked for future years.   The budget now includes a budget line for those funds.   One of those expensive years is 2023 at $163k budgeted, which would require that cash flow funds be accumulated. However, it is anticipated when these buildings are evaluated in Fall 2022, we will determine many of those at 8-years do not require painting.  This year's evaluation indicated that the paint life of many buildings is greater than 8-years.  For now, we are assuming that we will need to spend according the 8-year paint schedule.

Discussion: Bob asked how we account for saving those extra funds.  The answer is they accumulate in the operating bank accounts but could be set aside in a different account and earmarked for that use. Craig, said the problem occurs when we have a big expense, like extra costs for sewer laterals, which use those funds.  Hal questioned why sewer laterals aren't in the CR?  John pointed out they could be, but the budgeted funds for that expense would also need to be moved.  Bill cautioned that only specific, planned items should be funded from the CR.

**Master Replanting –** Hal wanted to know if Grounds has a specific plan costed out.  He thinks we should have a master landscape replacement plan so we can properly allocate the dollars.  He feels there are several areas that are getting to look shabby.   John and Craig said we do have plans which the Grounds Committee has shared with the Board, but they tend to get changed or pushed down the road. The best example is the Union berm, scheduled for next year, but the design has changed. Hal's point is we have solid estimates for most expenses, but not this.  Jack, said some of what is visibly wrong is not HOA property, but homeowner's property. Oliver pointed out that the $15,000 for next year is spoken for with the Union Street landscaping.   We did get a good price last week for concrete blocks for the terrace planters so we purchased them early. The budget was going to be $20k. The remaining $15k is for plants. Grounds is working on a revised detailed plan to the Board in fall 2029 for the Union Yosemite corner.

Trina raised the question about the Sewer Laterals going up from $25k to 35K in 2023.  This category has been condensed for this presentation but is mislabeled including "signs" since they are now in the CR. The extra $10k is for retaining wall materials.

**Club House floors -** were $12,000 but Oliver was able to find materials for $4,200, which we purchased, leaving only $1,500 for miscellaneous material in 2022, significantly less than the $12K budgeted.

**Pickle Ball Courts –** Permanent nets and a fence to separate the two courts were installed but the resurfacing, which-was part of that $13k 2021 budget, will not be done until 2022 due to low nighttime temperatures. Nothing has been invoiced yet. We may need to move some or all of that to 2022.

**Pool Furniture –** We received a rough estimate of about $25,000. Based on recent information we need to add $5,000 to the 2022 plan while we examine alternatives. Hal suggested we cost compare buying Home Depot quality instead of more expensive brands and replace it more often. There was some discussion about what to buy and the quantity but premature to go into too much detail in this meeting without knowing more.

**Mowers and Carts –** Oliver want to replace a 15-year-old large mower plus three smaller mowers that have reached end of life.

**Ponds, Streams and Pumps maintenance** is for normal on-going maintenance. Major liner replacement and repairs are now in the CR.

Based on Mark's email comments John changed the heading of this category to say "Repair and Replacement paid from Operating Reserves" although we still consider it the Operating Reserve: OR verses CR. These are on-going expenses, most of them annual expenses. What is important is we need to leave sufficient cash flow to pay for big paint years down the road or for items that need to be speeded up. We are now investing in the prepayment of our insurance instead of financing it. This requires close to $300,000 in cash each August. For these reasons it has been our goal to build the Cash Flow Reserve to over $400,000.

**Cash Flow Reserves –** There was extensive discussion about the "Reserve" nomenclature used in these reports, since the asset on the balance sheet (prepaid insurance) is not cash in the bank although a portion converts to cash on the balance sheet each month. Hal and Bill pointed out that this number (cash + prepaid expenses) does not always mean cash and is misleading. In an emergency we could not write a check for that amount. Trina pointed out that insurance prepayments come back into bank accounts each month from dues as we use up the prepaid portion of the insurance. (This year $25,000/month) If we paid the insurance in January, this would not be an issue since it would all be in the bank. Craig said we could borrow for the insurance payment then it would be cash. Paul wanted to know what the interest would be compared to bank borrowing. John said our line of credit is 1% over prime verses closer to 8 percent for insurance company borrowings. Hal said there needs to be clarification for the average homeowner who would consider that to be cash. John said we can talk to the auditor about how we use that terminology and/or consider another way to present these numbers. All agreed that the renewal of the $100,000 line of credit is a very good thing since it is essentially just adds to the reserve balance that could be used in an emergency. Hal suggested we increase it but John's opinion was that paying extra fees to do that now is probably not necessary as the bank would be happy to help is in any emergency when and if needed.

**Capital Reserve –** Revenue line-items presented in the 5-year plan track our history over time. We started with $44,000 a year a year ago. Our prior 5-year plans showed our intention to increase that to $64,000 in 2025. After working with the Uplanit Reserve software we decided we needed $35,000 more from dues, if we could offset it with an additional $100k Capital Reserve Fee (recently passed by the SB homeowners to be paid by new homeowners at closing). This would be an annual total of $190,000. This plan at 35+44+100 is $15k short of that number. John said the assessments for ponds and streets after all costs will cash flow $116,000 more than projected in 2021. This plan assumes we keep those funds in the CR avoiding the need to collect the extra $15k/year in dues from Homeowners. We need the money now to be secure and/or potentially accelerate some expenses. This plan simply pays it back to homeowners over a few years as we build the CR to the recommended level.

*Craig made a motion that we recommend to the Board retaining the $116,000 over for the year. Trina seconded. Approved by consensus.*

Bob, while not disagreeing, is concerned about the importance of homeowner communication. The prior message was unused assessments would be returned. Bob said he feels homeowners do not know exactly what is in the CR. It needs more explanation. This needs to be addressed in Homeowner communications. The FC voted unanimously to make this the recommendation to the Board.

Bill asked if the $30,000 additional cash flow would be dedicated and deposited into the CR Bank account. John said, yes, each monthly as collected.

**CR Expenses –**
**Street Repairs –** Seal Coat was moved up from 2027 to 2023 based on what may be necessary based on current observation of our new asphalt.
**Trucks** are budgeted to be replaced over the next 5 years.
**Monument Signs –** Current plan reflects $25,000 to replace all monument and directional signs. There was much discussion about this. Timing and need. Trina indicated from what she hears, we do not need new signs. Hal said he doesn't think they look that bad. Paul said the 4505 sign is heavily damaged and the 4505 numbers we hung recently on the sign reflect badly on our development. Hal said that replacement of one sign is a lot more economical that replacing all signs. We can clean and paint the others. Fixing directional signs is a lot less expensive. There seemed to be some consensus on this option. Hal made a motion:
*After much discussion Bill made a motion that any decision be tabled until a joint meeting of LRP and the Grounds Committee is held to review the discuss the proposal. Note: there was a strongly held view that the SB logo with the ducks currently in the directional signs and the monument signs and the stationary, as well, be* continued. Seconded by Craig and Approved by consensus.

Paul wanted to know what sign recommendation the committee is going made to the Board. John said this was a 2022 plan and there is sufficient time for the sign committee to rethink it and consider updating their recommendations after considering our discussion today. The plan contains $25,000 for 2022 and we are not changing the budget nor the plan at this time. Bob said we need better communication and agreement with the committees working on these projects and not to be overrun by LRP or FC decisions. Jack is concerned that we always put ARC and Grounds off and don't back up recommendations to improve our image. *(NOTE: Debbie Wallach contacted me after the meeting recommending whatever we did, we not change the plan for the new corner sign in the 2022 budget – She also said there may be a landscape option for fence pillars)*

Trina needed to leave the meeting, but first said that she thinks **Court 3** should be moved up. Craig said initially the urgency was to accommodate pickle ball players. We have now solved that. He said we still have issues on some of the major pond repairs and we need to more about what needs to be budgeted and when. Paul said we may want to consider a foam "Sport's Court" surface, which is quieter and easier on the knees. They have about an 18yr life. Bob suggested a new tennis court on #3 and doing two more pickle ball courts on court two, or two pickleball courts on #3 using the quieter artificial surface suggested by Paul. When asked, Paul said he can see us eventually needing more pickleball courts citing the example of a Westminster HOA they manage that converted tennis to 6 new courts on a quiet, artificial surface that everyone liked.

Bill thinks we need improvements on the court. He liked the last party and recommended our design could accommodate a social place that could accommodate occasional parties. There is the short-term alternative of building temporary or permanent bocce ball courts. Paul says these become popular when they are installed and create a lot of social interaction. This could be a phased plan without waiting to 2026. The 2026 time was established primarily as a place holder so it was visible in the 5-year plan and included in long-range funding requirements. Paul emphasized that any amenity would be a benefit for home values, verses what currently looks like deferred maintenance or that we simply don't care. This is also demonstrated by how are not addressing the repair to the 4505 damaged sign. He emphasized with a phased approach the bocce could be done inexpensively. We agreed that we need to move Court 3 improvement up and can do it without dropping the Capital Reserve Balance to a level where we are unprotected. This will mean we will be forced to split the expenditure up into phases if we begin anything soon.

Bill, said he is fine with budgeting for 2022, but not at all with planning future years. He feels the Board should not recommend any budget for expenditures beyond 2022 until we get the recommendation from Reserve Study "professionals". John pointed out that the 2022 budget recommendation at the next Board meeting is only for 2022. The 5-year plan is not a budget. It's only a plan based on what we know now. It can and will change. Bill said when we present these plans to homeowners, they need feel confident that CR listed assets also have a solid plan to finance them. Until then, he is uncomfortable making any recommendation beyond 2022. Hal said, even for the Reserve Study, it will be an estimate, because they will not have an absolute knowledge of what needs to be done and how much it will cost, citing ponds as an example. He thinks we should just explain to homeowners that the timing and costs are what we are anticipating now based on what we know.

John pointed out that the **pond expense** for next year includes an extra $25k for an additional liner in the event we find the same problem we found with pond #6 this year. That may not be required. It's possible the seal coat **asphalt Maintenance Expense** may be able to get pushed to 2024 and the full $25k for signs may not be spent. As we move through next year, we will be able to have a more solid forecast for our financial needs. That knowledge plus the Reserve Study information, which we expect to receive in mid-November, may allow us to accelerate some of the pond 3 improvements once we have that knowledge.

**Yosemite Fence –** It is 1/3 built and all materials have been purchased. It is part of our plan to add stone pillars every 12 feet. Oliver has estimated the stone materials at $83k. It is planned for 2023 because the materials are currently not available or too expensive and we don't think we will have time to build them next year anyway. In the last meeting we discussed the fence including these pillars as being a priority. Like the 4505 broken sign the fence has a lot more visibility than court 3 making it a higher priority. Hal pointed out that Oliver leaving may impact the timing of these projects since 2022 will be a transition year for management.

**Management Succession -** After a little more discussion about management timing in 2022. Craig recommended we acknowledge we may have extra costs associated with our succession plan and recommended we add a line to the 2022 budget to recognize we may have a potential expense. He suggested $25,000. Paul acknowledged that we need to let homeowners know we are planning for Oliver's replacement. John will add it to the 2022 proposes Budget to be presented to the Board and Homeowners.

The meeting adjourned at about 4:30 PM.

Thanks to all attending.

John
Submitted By
John Cowan, Chairman
Finance Committee