

Sterling Woods II
Master Board Meeting – Open Session
May 18, 2016

Draft of the Minutes

Call to order and establish a quorum – Mike Palica called the meeting to order at 7:30 PM. Present were Mike Palica, President (President of the Elms); Jake McGuigan, Vice President (President of the Summit); Stan Kishner, Treasurer (President of the Birches); Steve Griffing, Secretary (President of the Willows); Valerie Dawson, Director (President of the Maples) and Bill Karten, Director (Oaks).

Art Stueck and Kim Murray attended on behalf of REI Property and Asset Management.

Request of owners to speak - There were no owners present who requested to speak.

Ratification of the Minutes – Valerie Dawson made a motion to accept the draft of the April 20, 2016 Open Session Meeting Minutes. Stan Kishner seconded the motion. Without objection, the meeting minutes from the April 20, 2016 Master Board Open Session were approved.

Treasurer’s Report – Stan Kishner

In April, the Association had \$106K in operating expenses. Income was \$132K for a monthly operating gain of \$26K. Expenses were dominated by lawn, shrub and tree maintenance, the snow removal contract and our insurance premium.

For the year-to-date, we have an operating gain of \$64K. Retained earnings from 2015 are \$50K.

We continue to invest \$10,000 each month from our reserve fund in the S&P 500 stock exchange traded fund. We have made investments in January, February, March and April for a total investment year-to-date of \$39,600. As of May 5, the value of the investment was \$40,592 for a 2.5% gain.

Total assets are \$1.7M and the reserve fund balance is \$1.4M.

There were no resales in April. We expect a Beechnut to sell in May for \$280K.

Stan Kishner read the summary of the May 5, 2016 Treasurers meeting that provided an update on the status of the Reserve Funds at SWII. This is attached as part of the minutes for information.

Landscaping Committee Report – Julia Brzezinska

Mowing began on a weekly basis starting April 28. Mowing started on Logging Trail Road in May and in June mowing will begin on Cypress Drive. Reseeding work began on May 17. Because of road paving work, we cancelled street sweeping services and received a \$500 credit. Continuing on a weekly basis is the policing of Sterling Woods for trash.

The Landscape Committee completed shrub inspections throughout SWII and is in the process of compiling a list of shrubs to be replaced based on the inspection and requests from homeowners. Planting of the new shrubs is scheduled for June. Pruning of shrubs in SWII is scheduled at the end of June. If a homeowner does not want pruning of a shrub/s, they should notify Kim Murray who will put them on our "No Pruning List."

May 24 is the next scheduled date for a blanket application of fertilizer with crabgrass control to all turf areas. In addition, broadleaf weed control will be sprayed as needed throughout SWII and insect control will be applied in a blanket application.

We have a \$500 credit for not applying a spring deer repellent to certain shrubs since it was not necessary and a \$800 credit for not replacing one of the 80/20 zone trees which was located behind the fence along the exit. The five replacement trees in the entranceway were planted on May 3. Irrigation along the entranceway and clubhouse has been turned on.

During the second week of May, the second of four fungicides, which suppress various tree diseases, was sprayed on ornamental trees throughout SWII.

Maintenance Committee Report – George Torro

The Maintenance Committee has completed their spring walk around. George Torro will put together a list of suggested work to be done. This list will be provided to the Board for review.

Roads Update

Repaving work has begun on Revere Road. Repaving work is expected to begin on Bradford Drive around May 31.

Roof Committee Report – George Holland

George Holland provided the Board with a document regarding a suggestion for a time table for roof replacements. The Board stated this will need to be discussed in further detail in the near future.

It was also discussed that bid requests were sent to 14 roofing contractors to replace the roof on the 1500 Bradford Drive building. Nine bids were received and five contractors did not submit bids. The bids that were received are currently being reviewed.

Decks Committee – Steve Griffing

There was no report given this month.

Pool Committee – Renee Strazza

There was no report given this month.

Solar Panel Committee –

- There was no report given this month.

Management Report – REI

All REI follow ups, as a result of the last Board meeting and contained within the monthly status package, were reviewed.

Unfinished/New Business –

Bill Karten stated some of the grass seed that A&J Paving planted on Heartwood Lane didn't take and asked REI to contact A&J Paving to request that they return to reseed the areas that didn't take.

Bill Karten requested that the Board consider replacing the mailbox stations with lockable mailboxes so residents mail is secure as there recently has been a couple of incidents where someone went through mailboxes in the community. The Board stated this was discussed in the past and the cost to replace the mailbox stations would be approximately \$80K. The Board asked to table this at this time and asked REI to research this further after the paving and roofing projects are completed.

Bill Karten stated there is a problem in the area between Sterling Woods I and the rear of the 1000 Heartwood building. The mulch in this area gets washed away and there is mud covering the air conditioning units and also causing the units to sink. REI will inspect this area.

At 8:05 PM, Valerie Dawson made a motion to adjourn the meeting. Bill Karten seconded the motion. All present voted in favor of the motion.

Minutes of Treasurer's Committee Meeting – May 5, 2016

The meeting was attended by Siubhan Fallon, Jim Harlow, George Holland, Julia Brzezinska and Stan Kishner. The first agenda item was to review the financial condition of the operating account. There were no surprises here – we are running about \$30K under budget through the end of March. Much of that is due to underspending in the General Maintenance account. We also reviewed the finances for the end of 2015. We finished the year \$28K over budget. Since retained earnings from 2014 were \$78K, we started 2016 with retained earnings of \$50K.

The next item was the outlook for the capital reserve account. The last reserve projection was made in November 2015. In that projection we added a 1-year delay in the start of the roof and deck replacement programs. A new projection was run for the May 2016 meeting with the following changes from the 2015 projection:

1. The cost estimate for repaving Revere and Bradford this year was increased from \$650K to \$736K, based on Bouchard's contract, which now includes Hancock Dr.
2. The cost for Howland Engineering to develop paving specifications in 2016 was increased from \$5K to \$26K to include Hancock, Pinnacle and Cypress.
3. The lighting fixture replacement program, scheduled to start this year, was delayed by 1 year.
4. A \$72K budget for clubhouse renovations in 2016 was delayed by 2 years.
5. Based on capital contributions to date, the assumption of \$15K per year was reduced to \$9K per year.
6. The cost estimate for replacing the roof on the 1500 Bradford Drive building was increased from \$20K to \$50K, based on recent bids.
7. Inflation = 2.5%
8. Average investment return = 2%
9. Reserve contribution is increased 10% per year until 2027.

The table in **Figure 1** shows the reserve fund balance, reserve transfer, capital contribution, repairs costs and earned interest from 2016 through 2028. We note that the reserve fund balance goes negative in 2023, with the largest deficit (\$358K) occurring in 2026.

This is also seen in the bar graph shown in **Figure 2**. The table to the right of the graph is used to calculate average common charges and year-to-year common charge increases, assuming that repair costs increase with inflation (2.5%) and the reserve transfer increases 10% per year. We see that common charges increase between 4% and 5% year-to-year over this period, driven by the need to keep the reserve fund solvent.

It should be noted that roof replacement costs (including gutters and downspouts), while estimated at a total of about \$2.1M in the 2012 Becht Engineering reserve study, are likely to cost at least \$3.5M, based on recent bids for replacing the 1500 Bradford Drive roof. Gutters and downspouts are still shown separate from roofs in the May 5 reserve projection.

We won't get a better estimate of the deficit in the 2023-2026 timeframe until we get more cost data from roofing vendors. There was general agreement that we would prefer to fill any shortfall with financing and/or common charge increases, rather than special

assessments. The former methods spread the costs over many years (and owners), rather than penalize the unit owners who happen to live in SWII when the assessment is levied. There was also a suggestion that we consider increasing the capital contribution made by new unit owners.

Year	Opening Balance	Reserve Transfer	Capital Contribution	Inflated Cost of Repairs	Earned Interest	Closing Balance
2016	1,373,642	325,000	9,000	839,374	19,231	887,499
2017	887,499	357,500	9,225	790,801	12,425	475,848
2018	475,848	393,250	9,456	337,305	6,662	547,911
2019	547,911	432,575	9,692	514,845	7,671	483,003
2020	483,003	475,833	9,934	470,870	6,762	504,663
2021	504,663	523,416	10,183	540,530	7,065	504,797
2022	504,797	575,757	10,437	888,550	7,067	209,509
2023	209,509	633,333	10,698	995,973	2,933	-139,500
2024	-139,500	696,666	10,966	686,867	0	-118,735
2025	-118,735	766,333	11,240	618,948	0	39,890
2026	39,890	842,966	11,521	1,253,090	558	-358,155
2027	-358,155	842,966	11,809	691,314	0	-194,693
2028	-194,693	842,966	12,104	98,208	0	562,169

Figure 1

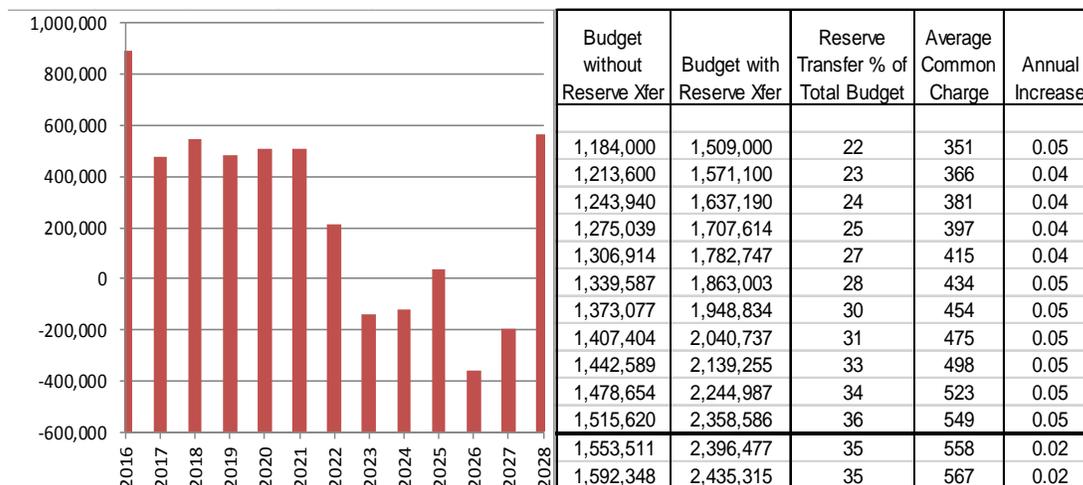


Figure 2

S. Kishner 6 May 2016