ATHERTON COMMON UNIT OWNERS ASSOICATION
ANNUAL MEETING MINUTES
DECEMBER 6, 2020

The meeting was called to order by President Dick Stout at 2 pm. Also in attendance were Treasurer Kevin Eagan, Secretary Joan Ferguson, Director Pete Eiche, and Association Manager Norman Desrochers. In addition, 42 unit owners were represented either in attendance (23) or by proxy (19) as confirmed by Desrochers. making it a quorum to conduct business. (See Attachment A for list of attendees/proxies.)

Stout first introduced the current Board members: Director Grover Penny, Treasurer Eagan, Director Eiche, Secretary Ferguson and himself (President).

New residents were introduced: Jerry and Cathy Cray (Unit 7), Kathleen Lochhead (Unit 16), Barbara Hackenberg (Unit 17) and Oxana Sheppard (Unit 23).

Following introduction of the Board members and new Unit Owners, it was announced the annual meeting (Dec 6, at 2 pm in the Congregational Church) had been scheduled with notice given to residents via mailed letters on or about November 14 and post to the web site on November 17

December 14, 2019, Annual Meeting Minutes. Paragraph 7 was edited to reflect the Board's action to increase the Association's deductible on the master insurance policy to $10K in October 2020. Cliff Kinghorn (Unit 31) made a motion to accept the minutes as corrected with Eagan seconding. Motion was carried by voice vote. Stout explained, as the policy was due to be renewed in 2020, the Board agreed to raise the deductible to $10K, significantly lowering the Association's premium payments. He recommended that if Unit Owners have property insurance, they also make sure the deductible is covered: i.e., as a portion of the loss assessment. Eagan noted that the by-laws -- updated in July 2020 -- need to reflect this change and Stout agreed the incoming Board would need to file the change.

IRS Revenue Ruling 70-604: The ruling directs any funds left over in the accounts be moved to the next year's funds. A voice vote approved the action.

2020 Accomplishments Year-To-Date were presented by Stout:

- ✓ Meeting locations were a challenge during 2020 due to the Covid19 - We held 1 telecon, 2 Zooms, 2 Garage, 2 Tennis Court and 1 Church Meeting
- ✓ Throughout all 2020, the Board explored the feasibility and advisability of vinyl siding and re-shingling our Complex
- ✓ At a special meeting on 9-15-20 to discuss the Roofing project, the owners voted 29 to 13 in favor of pursuing a loan agreement
- ✓ In September, Dick Stout assumed the presidency when John Learoyd resigned for personal reasons
- ✓ In September, Pete Eiche replaced Rich Nowak (who moved out of state) on the Board and became chairman of the Grounds Committee
- ✓ Painting and Rot Repair for three buildings, 19-21, 34-36, and 37-39, was completed at a cost of $61.5K
- ✓ A special assessment of $500 per unit was used to finance painting the third building
- ✓ Biannual septic pump-out was completed in May for all 15 buildings

- ✓ The pond aerator with new type chemicals have improved the appearance
- ✓ The snow removal contract was awarded to Acorn Landscaping at $31.9K
- ✓ The Great North Management contract was renewed for two years at no price increase at $16.2K
- ✓ Crack Sealing and Road Repairs done in October/November, had unsatisfactory results and will be re-evaluated in 2021

Larry McCoy (Unit 30) asked for the cost of the crack sealing and road repairs. Eagan advised $750 will be deducted for damages from the $10.5K invoice.

Roof Loan. Stout said the June 2019 study (see summary at Attachment B) offered three life spans of the Association roofs but did not offer any timeframes: "fair" was defined as a long period of time, "poor" was a roof requiring repair in the near future and "past service life". A summary offered Unit Owners the year a roof section was re-shingled, the current ages of the roofs, and projected replacement costs. The Board's analysis showed the Association would not have sufficient funds to re-shingle the sections as 43 of 85 sections currently are 20-plus years old; 72 sections are 15-plus years old; typically more than one-third of the original roofs last 15 years or less; and back roofs tend to wear faster than front roofs (probably due to the woods landscape). See Attachment C for analysis summary.

The decision to recommend financing, he said, was based on:

- ✓ With $1,000 from the HOA fees and $1,000 from a special assessment per Unit Owner, the Association can only re-shingle two buildings per year at a cost of $90K
- ✓ The Board's perception is that the re-shingle needs are greater and will need to be done faster
- ✓ Where will we get the money? One option is a special assessment of $12K
- ✓ A loan spreads out the cost over 20 years, with present and future owners sharing the cost
- ✓ A loan eliminates the need for any associated special assessments related to re-shingling, saving Unit Owners an estimated $8.3K
- ✓ Total loan costs are $596,375 (with 5% increase in interest included) versus an estimated $698,870 ($7.5K per section increased 3% per year for inflation for 7.5 years) the pay-as-you-go option and saves $102,495 for Unit Owners
- ✓ All sections will be covered with a 30 -year warranty backed by CertainTeed. This covers the issue of warranties because there are poor or non-existent records of past warranties.
- ✓ After 20 years, the annual loan re-payment of $27,250 can be paid into Capital Reserve for 10 years, building up that fund

Eagan added the approval letter from the bank is identical to the letter presented at the Sept 15 Special Meeting. The Association also recently received a better offer than the original proposal as the Association only needs to transfer its Capital Reserve account to the Millyard Bank. He noted that the Capital Reserve Fund is not collateral; the HOA fee is.

McCoy asked if the Association was voting to approve the terms of the loan and accept the loan agreement. Eagan said yes.

Laurie Kinghorn (Unit 31) asked for clarification on the deposit relationship -- the bank will have the Capital Reserve Fund account (that includes contributions from the HOA fees) -- commenting that the language is a "causal relationship."

McCoy said the document asks for the HOA funds and they charge a 1% fee on payments. He asked why would the document have this statement if the bank is asking for the HOA fees account. Eagan replied the discussion with the loan officer securing the HOA fees account versus the Capital Reserve account was post-mailing of the meeting documents that included the loan offer agreement. The 1% fee is if the Association does not maintain the Capital Reserve Fund or equivalent with Millyard Bank.

Howell Mitchell (Unit 28) made a motion to stop the discussion and move the question. Cliff Kinghorn said he had nine proxies and wanted to have more discussion. Motion was withdrawn.

Cliff Kinghorn asked if the Association had asked an attorney to review the loan documents. Eagan said the bank lawyer had completed the review, but the Association had yet to receive the confirmation letter. He said there is no reason to believe any additional comments or requirements would be added.

Kinghorn asked is there a cap on the closing costs. Eagan said $2K had been set aside.

Kinghorn suggested John Bisson would be a good attorney to conduct the review on behalf of the Association.

McCoy commented the loan document will need to be re-written as related to the deposit relationship and that a verbal discussions are not "okay."

Laurie Kinghorn asked what buildings were not included in the roofing contact. (No garages and the front section of Unit 32, front and back sections of Unit 36, and front sections of Units 35 and 44. Information was presented at the Sept 15 Special Meeting.)

She also said the Team Engineering Report stated Units 30 to 35 were all "good." She said that means they don't need replacement for 15 years. Why are they being replaced? Eagan said the Board looked at those five Units and saw there were missing shingles and other issues. The roofer evaluated them too and recommended they be replaced within one year.

McCoy read a statement from Gary Chandler (Unit 25). In summary, Chandler said he and his wife Ann have lived at Atherton since 1998 and the management of the roofs has been done well with the pay-as-you-go approach. He asked the Association to use the same schedule, noting Unit Owners are caretakers not owners (of the roofs). He asked if the Owners are legally required to repay the loan if the Association defaults.

Dave Sullivan (Unit 3) asked if the Association could apply special assessments versus a loan, but do the roofing at one time. Another alternative, he said, if it costs about $45K per building, why not schedule replacement over 3 years, funded by a $1K special assessment each year. Stout replied such an assessment would be between $7K -$9K for a one-time project and, alternatively, costs will

increase over time and separate contracts would need to be negotiated. Sullivan asked if the Board had thought of a 4-year program (to re-shingle) and use a pay-as-you-go. Eagan said the Board considered options to spread costs over a period of time by pay-as-you-go, but knowing that costs will only increase combined with the unknown future replacements, the loan became the most economical. In addition, other infrastructure issues need to be addressed.

John Learoyd (Unit 27) said there are two ways to look at the issue. First, do current Unit Owners and future Unit Owners get the benefit of new shingles with the current Unit Owners assuming the cost or is the cost spread out over 20 years. Second, if the Association agrees to pay per building, it is likely the Association will need to pay for about one-third of the buildings to be re-shingled in the next five years -- a cost estimated nearly $250K and we will have to pay that invoice, probably through special assessments. This will deplete the Capital Reserve Fund (in addition to the special assessments).

Kathleen Lochhead (Unit 16) noted that with the re-shingling, replacement of the skylights is recommended if they are original to the Unit. Learoyd said skylights are the responsibility of the individual Unit Owner, but the proposed contractor said he could install them for the Unit Owner at $300 each. Stout added skylights tend to last as long as roofs do. Laurie Kinghorn said that if skylights were going to be replaced, replacing them when shingles are replaced is the best time.

Barbara Hackenberg asked if the contractor would also dispose of the old skylights. Egan said the contractor could, but the Unit Owner will need to pay for the disposal. Stout said he would discuss with the contractor and see if there might be some discount.

One Unit Owner asked if that the loan doesn't pass, will there be a large special assessment to pay for replacement of septic tanks and the roads in addition to needed re-shingling. Stout replied the Association can currently pay for two new septic tanks and the road could last as long as another 15 years. While the septic tanks are near their end of use, they don't need to be replaced until they fail.

McCoy said the interest and price increase projections are not based on hard data and that most companies don't look beyond four years. He believes the interest rate will increase more than the Board projects, especially when taking on a 20-year loan. Also, doing business over four years means more control and flexibility with the funds the Association has. That is, if the Association gives a contractor 15 buildings to re-shingle and something goes wrong, there is less control over the fixes.

Stout replied the Association was able to secure Desrochers as the on-site supervisor at a significantly reduced cost $7.5K (versus 1.5 % of a contract value as stated in the Great North management agreement) and that the Board had formed a Unit Owners Committee of Supervisors to liaison with the contractor.

McCoy asked is Desrochers would be on site every day. Desrochers said he would be on site several times a week, but not every day.

Jim Jacobs (Unit 36) noted that the interest rate is the lowest level in many years, making the proposal ideal. He also said that when different contractors do the work, the result is what the

Association has experienced in the past: high potential for shoddy work, and variable warranties and costs. With the one bid, work done at one time, an inspection system, and the CertainTeed warranty, this is the appropriate time to do it.

Laurie Kinghorn pointed out that the interest rate, rate 4.25%, will only go up and that the interest on the proposed loan is more than $200K.

A Unit Owner asked who was providing the warranty. Jacobs said Certainteed (the shingles provider) will be the warrantor. Conde guarantees workmanship for five years and Certainteed assumes both workmanship warranty for the following 25 years. Certaineed provides a warranty on the shingles for 30 years.

Cliff Kinghorn commented that the 30-year warranty leaves the Association time to build a roof shingles fund after the loan is paid off over 20 years. He speculated that the 10-year interim might not secure sufficient funds and a special assessment might be necessary.

McCoy said he called Certaineed and he was told the workmanship warranty is for only 25 years. He asked if the shingles on the roofs now were 30-year warranties. Stout replied that records are so poor or non-existent that specific warranties are unknown.

Gene Madigan (Unit 37) noted that funds not spent on roofs for the next 30 years means Capital Reserve funds accrue to pay for other infrastructure needs.

Stout commented per the loan proposal, the Association will have up to 9 months interest-only payments during construction.

Dave Sullivan asked if the Board was committed to adding to the Capital Reserve Fund. Eagan said yes, explaining the current formula for the HOA fee ($475/mo/unit) is $375 to Operations and $100 to Capital Reserve. If the loan is approved, the Capital Reserve portion will decrease to $50 and the Operations portion will increase by $50 (to make the loan payments).

Learoyd said the Capital Reserve fund will need to be augmented with special assessments to ensure the Association is fiscally responsible. For example, replacement of all septic tanks is estimated at about $300K. Eagan added the 2021 budget, whether or not the loan is approved by the Unit Owners, included a $500 special assessment to supplement the Capital Reserve Fund.

One Unit Owner commented that the approach is to have a net neutral proposal but put less into the Capital Reserve, paying now and lessening the burden upfront. If Unit Owners are uncomfortable with a loan now, he said, the Unit Owners will pay much more in the future.

The discussion was closed, and a vote taken. Thirty-nine votes were cast with 26 voting to accept the loan and 19 opposed. (See Attachment D). The ballot, votes and proxies will be retained for three years.

2021 Budget Proposal. Eagan outlined the budget proposal (see Attachment E) , noting that with funds carried over from 2020, the 2021 Capital Reserve Fund will begin at $246K.

- ✓ Operations
  - The 2019 audit has yet to be completed, but the invoice is anticipated to be about $2K. He noted the Board will seek a new auditor who will perform the reviews in a more timely manner.
  - No changes in the Legal, Administration and Management Fees budget lines. He said that even with the two-year Great North contract up for renewal, they did not raise their rate.
  - The Master Insurance policy fees have dropped by $2.3K
  - Gutter and roof cleaning is $1.5K
  - Pest control is $1K, noting that less than half was used in 2020. Lyn Washington (Unit 20) asked if there will be a pest control program. Eagan replied the Association hasn't had one in many years and it is debated almost every year. He noted that if a Unit Owner wants to have a contract, they must get the Unit Owners of the building to agree to share the cost. Art Brault (Unit 18) said Units 16,17 and 18 pay for extra pest control at about $105 per quarter ($35 per unit).
  - Two buildings will be painted in 2021. Buildings 25-27 and 40-42 remain to be painted in this cycle
  - Utilities is level funded, noting the invoices went over budget this year, especially during the summer when Unit Owners were doing extra watering to counter the drought
  - The Association is on the second-year landscaping contract with Akorn
  - Irrigation maintenance and repair is level funded
  - Snow removal contract awarded to Akorn, noting last year's Silver Maple bid offer was higher than Akorn
  - Akorn Landscaping is $52K, tree work is $3K and landscaping is $2K. Forest encroachment, tree maintenance and landscaping will be evaluated by the Grounds Committee in 2021 and the Board will seek bids based on their proposal. Focus is on strategic needs and a "wish list".
  - The new line item is the roof contract. The Association will be interest only during construction -- expected to be 6 months (but up to 9 months) -- and then begin premium and interest payments
  - McCoy asked is driveway and walkway repair were in the Capital Reserve Budget. (Yes)

- ✓ **Capital Reserve.**
  - A $500 special assessment will supplement the Reserve, supporting capital needs
  - The Association received a free assessment of the road condition
    - The road is in good condition for its 38-year life. Cosmetic changes can be made: grind the top and replay the asphalt at about $250K; a full reconstruction of the road would be from $750K to $1M
  - The buy-in fee (new Unit Owners) is based on an estimate of 3 sales during 2021
  - Other items:
    - Rot repair, $15K
    - Septic, $40K
    - Road, $15K

        - Roof project, $15K for incidentals
    - Bottom line revenue versus expenses is estimated $31K less funds than at fiscal year start
    - McCoy asked what part of road repair is driveways and walkways. (They are considered together.)
    - Cliff Kinghorn mentioned that the special assessment is usually divided into two parts: $250 in March and $250 in September
    - McCoy asked what buildings will be painted in 2021. (Buildings 22-24 and 43-45.) Learoyd asked if a third building was being considered. Eagan noted that a survey will be needed to determine if a third building should be painted. The cycle that will be finishing in 2021 was entirely painted by the current painter who did rot repair as he found it. McCoy said Unit 16 is in need of painting now.
    - McCoy said that the driveway repair and sealing this year was "a disaster" and that instead of an out-of-state contractor, the Association should used a local contractor. While it may cost more, the Association has more control.

Cliff Kinghorn made a motion to accept the proposed 2021 budget, Art Braun seconded. Motion carried by voice vote.

Comments.

Cliff Kinghorn congratulated Kevin Eagen on his 5-year service on the Board that including being president.

Stout reported that the propane proposal discussed at the last Board meeting has been withdrawn, noting that no above ground tanks would be allowed, and gas companies won't offer below ground tanks unless the entire unit (thus the building's units) convert to all-propane utilities.

Laurie Kinghorn reported residents had donated 66 pairs of youth pajamas toward SHARE Family's holiday program.

McCoy asked if the Board would consider moving the Annual Meeting date to mid-November to avoid weather and the holidays. He said another option would be to have two meetings instead of one: budget and annual election. Stout agreed the Board will consider the proposal.

Sue Stout asked the Association to consider a long-term plan to convert the tennis courts to a community center. It could be a simple construction with a large hall, small kitchen and bathrooms. The Associations meetings could be conducted there as well as civic and recreational gatherings.

Washington suggested an effort be made to repair the storage unit as the roof is covered in moss and leaves and the siding could be re-painted. She said it would only take a few people (herself included) to sweep off the roof and paint the building.

Ingrid Michaelis (Unit 41) recommended a community clean-up date in April or May to clean the light posts, paint fences, dig up bushes and haul away debris. This was done in the past and turnout was always good.

Eiche welcomed volunteers to offer time to do community clean-ups,

Stout introduced the Roof Project Supervisors: Jim Jacobs, John Learoyd, Ciiff Kinghorn, Al Weller, Art Brault. McCoy asked to join the group.

New Board members were accepted by voice vote: Dick Stout, Joan Ferguson, Pete Eiche, John Sullivan, and Grover Penny. Kevin Eagan agreed to serve as Capital Reserve Chairman.

Meeting adjourned at 4:07 pm.

Respectfully submitted,
Joan Ferguson
Secretary
Atherton Common