

**TAMARACK TRAILS
FINANCE COMMITTEE MEETING MINUTES
WEDNESDAY, APRIL 19, 2023**

In Attendance: Committee Members: Tom Ferris, George Meyers, Dave Larson, Bill Probst, Jane Vaske, Larry White (Tamarack Treasurer); Board Liaison: George Jesien; Association Manager: Stacey Haberman; Guest: Janet Hirsch.

1. Investment Fund Update (Robert Beggs, US Bank)

Robert Beggs, Tamarack's current portfolio manager with US Bank, provided an overview of the status of the stock market as well as an overview of Tamarack's portfolio. According to Robert:

1. Last year's drawdown across both equities and bonds was a historical anomaly.
2. Conclusions:
 - a. US Bank recommends a slightly defensive portfolio orientation, emphasizing real assets over equities in the near term and a more favorable outlook on bonds.
 - b. The investment landscape remains stuck between key variables driving markets right now: The Federal Reserve's interest rate policy tightening (largely behind us) and potential economic and earnings deterioration (still in front of us). Recent financial sector challenges may lead to lower credit extension, which could serve as a further headwind.
 - c. From a technical standpoint, major asset classes are in defined ranges, with the S&P 500 bounded between 3,800 and 4,200 and the U.S. 10-year Treasury note between 3.25% and 4.25%. While our base case is for economic and earnings gravity to provide headwinds, movements outside of those ranges will provide us with clues about the market's risk appetite amidst likely choppy economic and earnings data.
3. Headline inflation measures slowed in January but remain above the 2% threshold central banks have historically targeted, while expectations-based measures are closer to the 2% target, with investors anticipating slowing growth and inflation resulting from central banks' aggressive tightening actions. Based on future inflation forecasts, Robert considers the 2.5% inflation rate Tamarack uses in its 30-year Reserve spreadsheet to be in the ballpark.
4. The drop in labor supply post-pandemic is contributing to tight labor market conditions and persistent wage inflation.
5. Credit keeps the economy running. Stalling bank credit growth with nearly 0% net loan and lease growth over the last three months risks slowing spending and dragging on economic activity.
6. Banks' lending practices are becoming more stringent. The increase in tightening lending standards on commercial and industrial loans can impact the economy and capital markets through higher borrowing costs evident in high yield bond spreads.

7. Asset Allocation as of 4/18/2023 for Tamarack Investments:
 - a. Cash Equivalents, 0.90%; Equity, 59.37%; Fixed Income, 34.66%; Real Assets, 5.08%
 - b. Total investments as of 4/18/2023: \$526,200
 - c. Total investments as of 3/31/2023: \$523,800
 - d. Increase as of 4/18/2023 of \$10,700 from 2/28/2023 balance and \$2,400 from 3/31/2023.
8. Performance Summary as of 3/31/2023: (Market Value; Change)
 - a. Ending 12/31/2018 Market Value = \$453,000; -5.91%
 - b. Ending 12/31/2019 Market Value = \$556,400; +20.47%
 - c. Ending 12/31/2020 Market Value = \$663,500; +13.87%
 - d. Ending 12/31/2021 Market Value = \$621,000; +11.79% (see NOTE 1)
 - e. Ending 12/31/2022 Market Value = \$503,000; -18.93%
 - f. Ending 3/31/2023 Market Value = \$523,800; +4.13%

NOTE 1: Reflects withdrawal of \$173,000 for the swale.

9. Regarding Tamarack's portfolio, Robert supported a continuation of the investment objectives of 60% equity and 40% bonds. He stated that the current investment split produces a blended return of 6.4%. Robert uses a range of +/- 10%. We discussed that our current policy was 55%-65%, but that we would consider a 50%-70% range.
10. As a result of the expected blended rate of 6.4%, Robert believes the use of a 4% interest earnings rate that we use in our Reserve 30-year spreadsheet is conservative, but reasonable.

2. Meeting Minutes Approval

The minutes from the March 2023 meeting were approved as written.

3. Unaudited February 2023 Financial Report

Comments regarding the Unaudited February 2023 Financial Report:

- a. Account #44400, Misc Operating Income – Workers compensation dividend of \$1,228.00 and credit card points for cash of \$700.00
- b. Account #73200, Dwellings-Decks – Composite wood ordered in advance.
- c. Account #73500, Dwellings-Wood Repair – Wood ordered in advance.
- d. Other accounts appear to be reasonable when compared to 2022.

Based on the 2021 audit report and the Unaudited February 2023 income statements, the Reserve Fund Balance is estimated to be approximately \$675,100, an increase of \$14,600 from the January 31, 2023, balance. The balance consists of the US Bank investment balance of \$515,500 and cash and other net assets estimated as \$159,600. However, approved transfers into the reserve fund from the operating fund of \$67,100 and the unspent carryover of 2022 budgeted spending for unit chimney caps and the swimming pool amounting to \$131,100, reduce this amount to \$611,100.

Related to the reserve fund, the 30-year spreadsheet used to develop the 2023 reserve budget showed that the minimum reserve balance as of December 31, 2022, should have been \$538,400. While the February 28, 2023, balance is above the minimum balance as of December 31, 2022, this balance does not reflect most of the budgeted 2023 Reserve Fund spending including Asphalt costs of \$184,000. **SEE TAMARACK FUND BALANCES as of 2/2//2023.**

4. 2022 Audit Update

Audit field work completed on March 27th and 28th.

The Finance Committee discussed the audit report cash breakdown between the operating fund and Reserve Fund. Committee preferences were forwarded to the auditors for their consideration. The Committee prefers that the Edward Jones investments be reported with cash and that the line on the balance sheet be referred to as Cash and Short-Term Investments. We also prefer that the audit report notes define what is meant by Short-Term Investments.

5. Association Manager's Report

Stacey covered the following topics:

- a. We are moving forward with the Bioswale Maintenance contract now that we know the details of what DJF is going to be doing in maintaining the Bioswale. The cost, \$4747.50, is consistent with the 2023 budget.
- b. We will not need to have the pressure testing completed on the pool. The \$3,860.00 approved in the 2023 budget will not be needed.
- c. Viktor's painting contract was originally \$81,112.00 for exterior painting. Through negotiation he lowered his bid to \$57,000.00 to complete exterior painting on Oak Creek units 50-80. Our approved budget for dwellings-painting is \$85,000.00, so Stacey is working on getting quotes to complete the painting on Oak Creek Trail units 81-97.
- d. The asphalt approved budget is \$184,000.00. The updated quote from Poblocki Paving came in at \$173,289.00. This was approved by the Maintenance Committee.
- e. Mulch drop / install contract has been approved and signed for \$44,250.00. This is consistent with the 2023 budget.
- f. 9 Mountain Ash – Very serious water damage / wood rot going on at this home. We cannot get an accurate quote, as we will not know how bad it is until more siding and house wrap is removed. This is going to be a time and material job, that Tamarack Trails will most likely need to cover a portion of the cost. The Finance Committee will hold a special meeting to discuss.

6. Other

Next Meeting – May 17, 2023 @ 3pm.