



Meeting Minutes
Saddle Creek Association Annual Meeting
2022 - 2023 Operating Year
July 13, 2023

Board Members In Attendance - Paul O'Connell, Robin Whitfield, Tom Kasper, Scott Henderson, Dennis Nagy (Briden Management); Absent - Tara Sharpe

Paul O'Connell called the meeting to order at 7:05pm

Treasurer's Report - Scott Henderson

Accounting Policies - Saddle Creek uses an operating year running from the current Annual Meeting held each year in July until the subsequent Annual Meeting held the following July. The current 2022 - 2023 operating year started at end of September 2022 as a quorum could not be obtained for the original meeting held in July 2022. The Association uses a calendar year (Jan 1 - Dec 31) for the purposes of financial reporting, budget preparation and the filing of our Federal income tax return. We also use the cash basis of accounting for financial reporting and tax purposes. We use two funds to manage our financial affairs - an Operating Fund and a Reserve Fund. Our annual budget is finalized in late November/early December and distributed to membership with the quarterly dues assessment invoices mailed in early January. Our quarterly dues assessment includes a single assessment for both the Operating and Reserve Funds. The Reserve Fund is funded via cash movements from the Operating Fund.

Budget and Year-to-Date P&L Review - fund balances as of June 30, 2023 totaled \$387,087. \$89,837 was held in the Operating Fund and \$297,250 was held in the Reserve Fund. The six month financial statements were distributed to those in attendance and will be posted on our website.

Reserve Fund - revenues through June 30, 2023 totaled \$7,024, consisting of interest income of \$1,292 and a payment from Lombardo Homes related to the neighboring Sterling Trail development in the amount of \$5,732. Details on Sterling Trail are provided later in the Minutes. Our Reserve Fund is fully funded to the suggested level specified in the 2021 Reserve Study performed by Michigan Reserve Associates. The 2023 budget includes a transfer of \$17,600 from the Operating Fund to the Reserve Fund to bring the Reserve Fund to the suggested Reserve Study balance of \$312,000 as of December 31, 2023. No funds were budgeted for Reserve Fund expenditures in 2023. However, we will incur an unexpected expenditure of approximately \$7,500 related to the replacement of our pool cover.

Operating Fund - reflects a net excess of revenues over expenditures of \$18,202 for the six months ended June 30, 2023. The 2023 budget for the Operating Fund was finalized with expenditures exceeding revenues by \$9,800. This was done to allow us to draw down excess funds held in the Operating Fund to a targeted level approximating three months of average forward looking expenses (\$54,000). Approximately 43% (\$340) of our \$800 annual dues payment goes towards the maintenance of our common areas. This includes 24% (\$190) of total dues for lawn care, 12% for snow removal (\$95) and 7% (\$55) represents all other common area expenses. The cost to maintain our common areas is significant. The large size of the common areas was mandated in the original development site plan approved by Lyon Township in 2004. However, the common areas serve as a key contributing factor making Saddle Creek a highly desirable place to live, as evidenced by the sales price/rapid sale of homes recently within the development. Trash services comprise 28% (\$230) of our dues. We pay \$19.79 per household per month for trash services. The Association pays for trash services as the paying agent on behalf of individual homeowners. This provides for leverage when negotiating rates with GFL and eliminates having multiple trash services (and trash cans) in the Development on multiple days of the week. Looked at another way, our annual dues, excluding trash services, are \$570 per year. Costs to operate the pool/cabana are 12% (\$95) of dues, translating to the equivalent benefits of a family pool club membership for approximately \$100 per year.

Bank Accounts/Investment Account - the Association held approximately \$370,000 in 3 bank accounts with Citizens Bank as of the start of the current operating year in September 2022. Scott noted the following issues with this:

a.) FDIC insurance for corporate accounts is \$250,000 for all combined accounts open with the same bank, meaning we had \$120,000 of funds that would be exposed to potential loss in the event of the failure of Citizens Bank, b.) negligible interest income has been earned on these accounts in previous years, and totaled only \$63 in 2022. The opportunity for significant income to be earned was not being taken advantage of and c.) bank signatories on the accounts had not been updated in recent years, meaning no current Board members had signing authority on our Citizens Bank accounts. To remediate these issues, the Board opened an investment account with Fidelity Investments. We moved approximately \$290,000 from Citizens Bank to Fidelity over several months to build an investment ladder of FDIC insured brokered CDs and US Treasury obligations. Our account with Fidelity provides \$500,000 of SIPC insurance coverage. Our portfolio with Fidelity has a rolling duration of 9 months and approximately \$20k - \$30k of the portfolio matures each month. We expect that our investment income for 2023 will approximate \$9,000 on a pre-tax basis, as the result of the significant increase in short-term rates currently offered on CDs and US T-Bills. This could potentially increase to \$11,000 to \$13,000 pre-tax in 2024 if current investment rates hold. Bank signatories were immediately updated to reflect our current Officers designated with authority to transact with Citizens.

Taxes - the Association is qualified/elects to file it's Federal income tax return under the provisions of Section 528 of the Internal Revenue Code as a Condominium Association. This election defines the interest income earned on our investment accounts in 2023 as "non-exempt function income" and will require us to pay Federal income taxes with the filing of our 2023 tax return in April 2024. A tax payment of 30% of our actual investment income earned in 2023 will be payable. We will not be required to pay income tax to the State of Michigan.

Insurance Liability Coverage Increase - the Association carries a Residential Community Association Insurance Policy with State Farm Insurance. This policy included liability coverage in the amount of \$1 million per occurrence/\$2 million aggregate per policy year. Given the risks associated with the ownership of a pool and large community common areas, the Board felt this level of coverage to be inadequate. We were able to increase our liability coverage to \$3 million/\$6 million. The annual cost of this additional insurance was \$426 (\$1.69 per household).

Past Due Homeowner Dues - Scott noted as of September 2022, we had 35+ homeowners (15% of all homes) with past due assessment accounts totaling approximately \$14,000. Of these, 12 homeowners had outstanding dues balances of 9 months (\$600) to 18 months (\$1,200). The Board immediately reviewed this situation to determine the key root causes for these past due payments and to implement remediation actions. It was noted a large portion of the past due payments resulted from confusion caused by the format of the quarterly billing statements and actual amounts due. The statements were reformatted to be easier to understand and the number of past dues has decreased significantly. The other major root cause was homeowners were not regularly contacted about past due accounts unless their past due balance reached \$1,000. This was quickly changed and homeowners are now contacted immediately upon going past due. Dues account balances are reviewed at each monthly Board meeting. The Board contacted the 12 homeowners noted above multiple times in an attempt to bring their accounts current with little success or responses received. These accounts were then turned over to our attorney for the issuance of collection demand letters, resulting in 10 being brought current. Suits were initiated with the 2 remaining homeowners who failed to respond to the demand letter, with final resolution still pending on one suit. Per our Association bylaws, all costs of collecting past due accounts are the responsibility of the individual homeowner, not the Association, and are added to the past due amounts owned to the Association. Excluding the one active suit still in process, total past due accounts now total under \$600.

Lombardo Homes Items - Paul O'Connell and Tom Kasper

Lombardo Handoff - Paul O'Connell and Tom Kasper participated in discussions with Lombardo Homes and a representative from Lyon Township concerning a final engineering review of Saddle Creek before official signoff is received from Lombardo. The Township representative is currently leading this process. No timeline was provided by the representative as to the expected finalization date.

Sterling Trail Drainage Tie-In - Paul O'Connell brought the attendees up to date on a project he has been coordinating for the Association with Lombardo Homes and Lyon Township. The original 2004 Saddle Creek Master Deed, and as subsequently amended, allows Lombardo, as a successor developer of Saddle Creek, to tie into the existing Saddle Creek drainage system from their new Sterling Trail development immediately adjacent to our subdivision. Per the Master Deed, Lombardo was under no obligation to compensate Saddle Creek for this tie-in. The Township representative suggested that Saddle Creek and Sterling Trail agree to and initiate a cost sharing agreement where annual compensation would be contributed from Sterling Trail to Saddle Creek for use towards future drainage system maintenance costs. It was agreed that Sterling Trail will make an annual \$500 payment to Saddle Creek into perpetuity with 3% yearly increases to the annual payment amount. Lombardo made a prepayment of the first 10 years of payments (\$5,732) in January of this year. Paul was also successful in having a clause incorporated into the cost sharing agreement that requires Sterling Trail to proportionally share in any costs incurred by Saddle Creek above \$100,000 to remediate future drainage issues anywhere in the entire Saddle Creek drainage system.

New/Updated Association Rules & Policies - Tom Kasper

The Saddle Creek Rules & Regulations were modified in February, 2023 to include the following two new items:

Electric Vehicle (EV) Policy - The use, maintenance and storage of electric powered vehicles is allowed and must be in compliance with Article VI, Section 7 (Vehicles) of the Saddle Creek Association Bylaws. The installation of electric vehicle charging units on the exterior of home units and/or within the Co-owner's exterior lot limits is prohibited. The installation of electric vehicle charging units is allowed within the interior of Co-owner home or attached garage units.

Whole House Generators/Updated Landscaping Policy - a new rule was enacted earlier this year that allows homeowners to install whole house standby generators for their residences. Generators are not permitted to be installed in the front of a residence and must be landscaped as noted in the new policy. The homeowner must complete the Saddle Creek Alteration Modification Form, provide the landscaping plan and obtain Board of Directors approval PRIOR to starting the installation process. Generators installed without Board approval prior to the enactment of the new policy must also comply with the new landscaping policy.

Refer to the Saddle Creek Association website for the full wording of these new rules.

Bylaws Update Requirements & Process - Robin Whitfield

The need to update our bylaws has been raised at numerous Annual Meetings in the past. Our current bylaws were established back in 2004 at the time of the original formation of Saddle Creek. The bylaws were intended for use by a standalone condominium complex. Saddle Creek is a site condominium complex and many of the bylaws provisions do not apply to us or are unreasonable or unactionable (ex. - no more than 2 pets per home, an inventory of pets must be maintained by the HOA and pet "audits" performed). On behalf of the Board, Robin Whitfield has consulted with outside legal firms with expertise in HOA laws to get a better understanding of the required process and potential cost of updating our bylaws. In summary, a new set of bylaws would need to be agreed upon and created. Most firms have various HOA bylaws templates that can be used as a starting point. The Association can do this one their own, but given the importance of the bylaws, it is sound business practice to engage appropriate legal consultation and direction. The cost of updating the bylaws would be material and we have no line item in our Reserve Fund today committed to a bylaws update. The biggest challenge in updating/amending the bylaws is, that per our Master Deed, 2/3 of the 252 homeowners and the holders of any homeowner mortgages must grant their approval to the changes recommended. Over the years, the Board has tried to use the powers granted to it in the bylaws to establish rules/policies as a way to manage the affairs of the organization in a reasonable manner, in lieu of a bylaws change. The Board wanted the membership to be aware of the challenges faced with a bylaws change and provide the Board with a majority consensus to proceed with these actions. A proposed future path forward will be communicated to all once it is formulated by the newly seated Board.

Current Service Provider Overview - Dennis Nagy

Dennis Nagy provided a summary of our key service providers. These are: Lawn Mowing and Road Plowing - Lyon Homescape, Trash - GFL, Pontiac Trail Sidewalk Snow Removal - Scott & Son Landscaping, Pool Service - Pristine Pools, Cabana Cleaning - Lisa's Organizing & Cleaning Services, Pond Management - Lake Pro, Inc., Property Manager - Briden Management.

Road Resurfacing Responsibility - Paul O'Connell and Scott Henderson

Paul O'Connell discussed the situation that, although the Oakland County Road Commission is responsible for the maintenance and repair of the roads within Saddle Creek, they will not fund the repaving of our roads. This responsibility either falls to the local municipality or to the subdivision homeowners themselves. Lyon Township does not presently have funds or a formal program for the repaving of roadways. If wanted currently, the burden and cost of repaving must be borne by the subdivision homeowners. Paul discussed the current project underway at the Tanglewood subdivision on Ten Mile Road. Tanglewood's roads were in poor condition and in need of immediate repair. Unable to obtain governmental funding, Tanglewood elected to work with Lyon Township to establish a "Special Assessment District" which obligated each homeowner to pay an approximate \$10,000 tax assessment, payable over 10 years (go to www.hometownlife.com and search on "Tanglewood" for an excellent article on the process used by the Tanglewood HOA). At some point in the future, Saddle Creek will need to have a repaving of our roads performed. The first of our roads were installed in 2004. Scott Henderson provided an estimate that, based on the costs incurred by Tanglewood, it would cost approximately \$2 million to repave the 2.5 miles of roads within Saddle Creek if done today. Making assumptions about inflation and investment returns, this figure would grow to \$4.2 million if deferred for 15 years. To fully fund a such a future obligation, for example, each homeowner would need to be assessed an annual special assessment of just over \$800 for each of the next 15 years. The point of this discussion was to simply make our members aware of this potential material future financial obligation they could incur and to determine, as a community, how best to proactively plan for it. Future discussions and broad inputs from our homeowner community are needed regarding this matter.

Pool Cover Replacement - Dennis Nagy

Our pool service provider notified us that our pool cover was cracking and in need of replacement. Continued use of the current cover poses a serious safety/liability risk to the Association. The replacement was already included/funded in our Reserve Study with a projected replacement needed in 2024. The Board approved the replacement of the cover and is awaiting the final cost estimate from Pristine Pools. As noted previously, this cost could approximate \$7,500.

Annual Meeting Date Change - Scott Henderson

Scott Henderson asked the meeting attendees if there was any interest in moving our Annual Meeting from the July time frame to late January. This would be to align our fiscal year (Jan 1 - Dec 31) with our operating year (July - July) and enable full-year financial results to be issued and discussed at a January meeting. The majority opinion was to keep the Annual Meeting in July and simply use the Year-End Treasurer's Report issued in January to update the membership.

New Saddle Creek Email Account - Tom Kasper

Tom noted that a new email account has been established for the Association:

saddlecreek.lyontwp@gmail.com

This can used for direct communication with Board. Board members can also still be contacted via the links on our website. Board member email addresses have been removed from the website as these accounts were "hacked" earlier this year in a phishing scheme. Tom also noted that many homeowner email accounts are missing or incorrect in the Briden Management database. Homeowners are requested to submit needed corrections to Briden Management or via an online form Tom has created, as more of our communications will be made via direct email. We do not use the Saddle Creek Facebook group as a primary communication means as many homeowners do not subscribe, or wish to subscribe, to Facebook.

Results of 2023 Election - Paul O'Connell

Tom Kasper and Karl Geisler were elected to the Board and each will serve a two-year term, expiring in July 2025. No nominations for write-in candidates were received. The terms of Robin Whitfield, Tara Sharpe and Scott Henderson, which started at the end of September 2022, will end with the Annual Meeting in July 2024. Officer positions for the 2023 - 2024 operating year will be finalized at the August, 2023 Board meeting.

The Board and members in attendance thanked Paul O'Connell for his 6 years of service and contributions to the Association. His experience and knowledge of Association activities made Paul an invaluable resource for the current Board.

Open Forum - All

Concerns were raised by several members in attendance that the Board is not consistently enforcing all of our rules and/or bylaws, particularly as they apply to the landscaping of generators and to the restrictions related to boats, RVs and campers that are being stored in the driveways within Saddle Creek. Concerns were also expressed about some lawns not being regularly mowed and/or maintained. The Board and Dennis Nagy noted we do not regularly patrol the streets specifically looking for bylaws violations and try to take a judgmental and flexible approach, wherever possible, regarding these matters. The Board will respond to concerns communicated to Briden Management, particularly if made by multiple homeowners. The Board agrees that moving forward, a framework is needed to address major bylaws gaps, inappropriate or irrelevant bylaws/rules and to formulate and implement appropriate enforcement actions for major instances of noncompliance.

A concern was noted that many trees within the subdivision have grown out and are intruding into the walking paths of our sidewalks. Lyon Township Zoning Ordinances require that no tree limbs may extend over a walkway at a level at or below 8 feet. Homeowners with trees in such a condition are subject to the issuance of a violation and/or fine from the Township.

A member in attendance noted that a homeowner was installing a pool within their property boundaries and is using the common areas to access/perform such installation. The original plan for installation was approved by the Board, but did not include approval to use the common area for access. The Board was recently informed of this situation and Briden Management reached out to the homeowner to inform them that they have the responsibility to take the necessary actions to restore the common area to its pre-project condition and are financially responsible for all costs to do so. The Board will continue to monitor this situation to ensure compliance with these requirements.

A member in attendance requested that the Board continue to actively pursue homeowners whose quarterly dues accounts are in arrears, as it is unfair to the vast majority of homeowners who regularly pay their dues on a current basis. The Board noted it will continue to make this a priority and promptly take any needed actions on accounts that are past due.

Adjournment

The Board thanked those members in attendance for taking the time to participate in the Annual Meeting.

Meeting adjourned at 8:50PM.