

**Meeting Minutes/Summary of Discussions
Saddle Creek Association Annual Meeting
September 28, 2022**

Administrative

The meeting was called to order at 7:01 pm by Tom Kasper. Board Members in attendance were Tom Kasper and Paul O'Connell via Zoom conferencing. Dennis Nagy was present representing Briden Management. The Saddle Creek by-laws require three Board of Directors be present to establish a legal Board quorum. Because of the recent Board resignations, only two active Board positions remained filled. As allowed by Article XI of the by-laws, Tom Kasper made a motion to appoint Scott Henderson to the Board to allow a legal Board quorum to be achieved. His term ended immediately at the start of the Annual Meeting portion of the meeting. Motion carried.

No changes were presented re: the minutes from the unofficial meeting held in August. A motion was presented to accept the meeting minutes. Motion carried.

Tom Kasper announced that the number of member attendance proxies obtained via the electronic solicitation process and via members in attendance at the meeting exceeded the required minimum to allow the meeting to proceed as a legal meeting. Tom Kasper made the motion to formally start the Annual Meeting and thanked all of those who provided their proxies and/or attended the meeting. Motion carried.

Board of Directors Election

The results of the annual election for open Board positions were presented by Tom Kasper. Three Board positions were up for election. Tara Sharpe, Robin Whitfield and Scott Henderson sought election to the Board. Each received sufficient votes to be elected and no votes for any other candidates were received. Tom Kasper made a motion to accept the results of the election and immediately seat the three new Board members. Motion carried.

Tom Kasper noted after the recent resignation of two Board members, Scott Henderson has been assisting the Board as a member volunteer with regards to certain financial and compliance matters. Scott volunteered to prepare the financial review and lead the discussion on several financially related matters at the Annual Meeting.

Financial Review and Update

The year-to-date financial statement as of August 31, 2022 was presented. YTD revenues of \$152,051 and YTD expenditures of \$144,178 were reported resulting in a net excess of revenues over expenditures of \$7,873. Based on YTD results and projected activity for the balance of 2022, it appears that we are on track to achieve the budgeted excess of revenues over expenditures approximating \$24,000. This amount would then be transferred from the operating fund to our reserve funds. Reserve fund balances totaled \$263,280 and the operating fund balance was \$113,524. Scott pointed out that only \$17 in YTD interest income had been earned on our account balances of \$376,804. This was primarily caused by our by-laws restricting our investment options to insured CD's and US Treasury obligations, both of which have essentially offered rates of close to 0%. The rates offered on these investments vehicles have increased substantially on a recent basis and we estimate material pre-tax interest income could be achieved from such investments going forward. He noted, based on our present tax filing status,

any interest income earned minus a \$100 deduction would be subjected to a 30% tax payable to the US government on such earnings. Scott also noted all of our bank accounts are maintained with Citizens Bank and exceed the maximum \$250,000 of FDIC insurance coverage. We will need to move the appropriate amount of these funds to a new financial institution(s) to ensure our bank funds remain fully insured. Motion made to accept the financial review. Motion carried.

Discussion Items

Budget Development - It was noted the Board will be starting the process of establishing the 2023 budget. A major challenge will be trying to estimate the impacts of the high inflationary environment and the likelihood our key service providers will be seeking price increases. A discussion was held and it was suggested by members present that input from our community be solicited and considered for development of the 2023 budget.

Reserve Study - The Association last had a formal reserve study conducted by an external consultant in 2020 to help us identify and plan for funding our needed future major repairs and replacements. The study projected that reserves approximating \$290k should be established by the end of 2022. Based on current reserves and the projected balance for year-end, we anticipate having this amount saved in our reserve funds. Scott pointed out that the reserve study was built out with an assumed 3% inflation rate, which we all know is not reality today. He noted that some members are not aware that our Master Deed assigns ownership of the drainage system infrastructure: conduits, piping, retention ponds, etc. to the members of Saddle Creek. Future replacements and repairs of these elements are material in amount and are a key driver of our large needed reserve balances. He also noted many members are not aware that it will be the financial responsibility of the members of Saddle Creek to fully fund the repaving of roads within the community. The Oakland County Road Commission is only responsible for routine repairs and maintenance. The situation currently taking place within the Tanglewood Community was discussed. Tanglewood members approved establishing a special tax district with Lyon Twp. Each homeowner is being assessed approximately \$10,000 in taxes to be paid over 10 years to fund the \$3.6 million needed for repaving. Saddle Creek will be in a similar situation and it is critical that, we as a community, come together to determine how best to fund this future significant expenditure. There are no funds built into the reserve study for this today.

Annual Dues - Scott provided a pie chart to illustrate where our \$800 in annual dues goes. It was noted approximately 60% of our dues go towards trash service and common area maintenance. He also provided an “apples-to-apples” comparison of our dues compared a neighboring HOA located within the City of South Lyon. Per Dennis, the homeowners pay around \$300 a year in dues and have no pool facilities or large common areas to maintain. Being in the City of South Lyon, their city taxes pay for trash, snow plowing, drainage and street infrastructure costs (Saddle Creek dues related to trash, snow plowing and major reserves approximate \$375 per year). Factor in our pool costs (\$80) and we net to approximately the same annual dues. \$240 of our dues are spent maintaining common areas, which act as a large benefit to home values within our community. If we lived within the South Lyon city limits, our property taxes would be \$1,000 - \$1,500 a year higher. The broad consensus of those at the meeting was that the value of services received for our \$800 in dues was reasonable. The Board needs inputs from the membership. If the majority of the membership wants something/is willing to pay for it, so be it. If the majority feel the dues are too high, tell the Board what you want cut. Certain non-variable cost elements can't be cut.

Past Due Assessments - Member dues assessment balances provided by Briden Management show 33 of our 252 homeowners are past due on their quarterly assessment payments. Of these, 14 homeowners are two or more payment cycles behind. Those in attendance agreed more forceful actions need to be taken to ensure accounts are brought current. Our by-laws provide remedies for collection including the assignment of liens on properties and ultimate foreclosure on a property. Members present suggested that the Board consider development/implementation of a formal policy re: past due collections and to consider such measures as removing pool access/trash service, etc. and possibly publishing a list of outstanding past due households at the annual meeting each. It was reinforced by Tom that a household with delinquent dues payments is not a member in good standing, has no to right to vote in annual meetings and is subject to having their provided services placed in a suspended status.

Playground Equipment in Common Areas - Tom reminded everyone that, per our by-laws, homeowner playground equipment should not be placed the common areas. He noted the primary concern is this presents a potential financial liability to all of us should someone be injured while using the equipment while in a common area. Financial liability for the “Saddle Creek Association” falls on each our 252 households comprising Saddle Creek. This equipment also creates issues re: mowing of the common areas. The topic also raised a question from a member about what our current Association liability insurance coverage is. Scott noted our current liability coverage is \$1million per occurrence and \$2 million yearly aggregate. This coverage has not been reviewed recently for reasonableness. There was broad consensus from those in attendance that these amounts appear insufficient and the Board was tasked to look at increasing these coverages.

Communication - A comment was raised by several members asking for more detailed and frequent communication from the Board. This concern was duly noted by the Board. We also need to determine what our optimal communication platform(s) should be. Should it be our web site, Facebook, an email distribution chain, hard copy newsletters/mailings, etc.? Member inputs in this regard are greatly encouraged.

Labor Day Pool Closing Schedule - In response to notes circulating re: keeping the pool open through Labor Day, Dennis detailed that the cost to keep the pool open beyond Labor would be approximately 2x the normal cost of maintaining the pool for a week. A primary reason is pool service providers shift into pool closing mode after Labor Day and are booked solid with other closing requirements with homeowners and other HOAs. Broad consensus across all in attendance was that this is not a desire of the greater membership and should not be pursued.

Association Sign-Off with Lombardo - Dennis noted that Lombardo has contacted him re: the need to perform a final sign off on their obligations for the sections of Saddle Creek they built out. We need to identify a punch list of what is left for them to fix for us (trees, road damage, lights, etc.). Once the sign off is completed, Lombardo is free of future obligations to fix these issues. The group agreed we are not in a position to complete that sign off and more discussion and follow up is required.

Michigan Condominium Act Section 57 Election - Scott noted Saddle Creek is a not-for-profit condominium association governed by the provisions of the Michigan Condominium Act. This

law requires any such entity with annual receipts in excess of \$20k to have an annual review of its financial books and records by an independent CPA, unless a majority of the membership elects not to have one performed. He noted that it appears Saddle Creek has never been in compliance with this requirement. The Board needs to discuss this matter further to determine how best to ensure compliance with this requirement going forward.

Open Forum - No issues or comments were raised in the open forum. Tom thanked the hearty souls who braved the cold weather and dark of night to attend the meeting. Motion made to adjourn the meeting. Motion carried.

Motion adjourned at 8:12pm.