2026 Proposed Budget
Responses to Pre-Submitted Homeowner Questions

The Board of Directors appreciates homeowners who reviewed the proposed 2026 Budget and submitted questions in advance of the Budget Question and Answer Session. To avoid duplication, similar questions have been consolidated by topic while preserving the intent of each submission.

The following responses supplement the information presented during the Budget Question and Answer Session and are provided to ensure all homeowners have access to the Board's written responses to the pre-submitted questions.

Category 1 – Reserve Funding & Supplemental Assessment

1. How did the Association reach the current reserve funding situation?

Response: The Board understands homeowners' interest in how the Association reached its current reserve funding position.

Maryland Code, Real Property Article § 11B-112.3. Reserve studies states an HOA must complete a reserve study every five years by a firm that holds a current license from the State Board of Architects or the State Board for Professional Engineers; or is currently designated as a reserve specialist by the Community Association Institute or as a professional reserve analyst by the Association of Professional Reserve Analysts;

The purpose of a Reserve Study is to estimate the amount of money that must be placed in to the reserve fund annually for future repair and replacement of major common-area assets. Reserve funds help ensure that large projects can be completed without relying solely on future supplemental assessments or loans.

The 2025 Reserve Study determined that the Association's reserve fund was below the recommended funding level and identified the amount needed to place the Association on a funding plan consistent with Maryland law. As part of developing the proposed 2026 budget, the Board reviewed the Reserve Study, the Association's financial records, and its current financial condition to determine the most appropriate course of action.

Regarding the 2025 budgeted reserve contribution, although approximately $30,000 was budgeted to be transferred to the reserve fund, no contribution was made because there were insufficient funds available in the operating account. The Association experienced an operating deficit, and the available operating funds were needed to meet the Association's ongoing financial obligations. As a result, the budgeted transfer to reserves did not occur.

The Board concluded that continuing to defer reserve funding was not a sustainable option. The 2025 Reserve Study confirmed that the Association's reserves were underfunded and, under Maryland Code, Real Property Article, § 11B-112.2, the Association is required to maintain a reserve study and adopt a funding plan to bring reserve funding into compliance with the study within the timeframes established by law, unless a statutory hardship extension applies.

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After evaluating the available options, the Board determined that a one-time supplemental assessment was the most effective means of restoring reserve funding while maintaining the Association's ongoing operations. The proposed 2026 budget therefore includes a reserve contribution of $248,850, funded through the supplemental assessment, to begin addressing the reserve funding shortfall identified in the Reserve Study.

The Board's focus is not only on addressing the current reserve deficiency but also on improving long-term financial planning so that reserve contributions remain consistent with future Reserve Study recommendations and the likelihood of future supplemental assessments is reduced.

2. Why is the Board asking homeowners to fund reserves now instead of waiting until next year's budget?

Response: The Board is obligated by law to ensure the annual budget includes the funding amount recommended in the most recent reserve study or updated reserve study.

The Board believes delaying reserve funding would increase the Association's financial risk. Reserve funding is intended to ensure money is available when major common-area components require repair or replacement. Deferring contributions generally results in larger future assessments and higher costs.

3. Please state why none of the other alternatives were implemented. According to the Notice, the Board identified numerous alternatives, namely increasing annual funds, delaying reserve contributions, reducing operating expenditures, borrowing funds, and imposing a supplemental assessment.

Response: The Board met several times in open session to evaluate all funding options. Each option had advantages and disadvantages. Increasing assessments sufficiently to generate the required reserve funding could have exceeded the annual assessment increase permitted by the governing documents and MD Law. Delaying reserve funding would further increase the Association's financial risk. Significant operating expense reductions would likely reduce services or defer necessary maintenance. Borrowing would increase long-term costs through interest payments. Another option explored was a hardship. HB1041 made it clear that the Association did not meet the statutory standard for a hardship.

To determine a path forward, the Board received advice from two independent law firms. Both firms have advised that the reserve funding requirements established under the 2022 Maryland HOA Act are straightforward. The Association's budget must provide sufficient funding to meet the reserve contribution recommended by its most recent qualified reserve study.

Sentry Management also highly suggested the HOA comply with the MD Law requirement.

The Board concluded that a one-time supplemental assessment best addressed the immediate reserve funding need while avoiding additional long-term debt.

4. Did the Board consider borrowing money instead of imposing a supplemental assessment?

Response: Yes. Borrowing was considered; however, a loan would require repayment with interest, increasing costs to homeowners over time. See question three (3).

5. Has the Board considered gradually increasing annual assessments over multiple years to improve reserve funding rather than relying on a one-time supplemental assessment? If so, why was that option not selected?

Response: Yes. The Board considered phased assessment increases but determined they would not provide sufficient funding to meet the Reserve Study recommendations within the required timeframe. See question three (3).

6. Could additional supplemental assessments become necessary in future years?

Response: While no Board can predict future financial conditions, maintaining consistent reserve funding and following the Reserve Study recommendations reduces the likelihood of future supplemental assessments.

7. Can you guarantee there won't be another supplemental assessment next year?

Response: No. Future budgets will depend on operating costs, reserve funding requirements, inflation, and unforeseen expenses.

8. If reserve funding exceeds future needs, what happens to the money?

Response: Reserve funds remain Association assets and may only be used for eligible reserve expenditures identified in the Reserve Study or otherwise authorized by governing documents and applicable law.

Category 2 – Legal Authority & Budget Process

9. Please provide the Maryland citation governing the Board's authority to implement the Supplemental Assessment.

Response: The Maryland statute governing the Board's authority to levy the Supplemental Assessment is Maryland Code, Real Property § 11B-117 – Responsibility of lot owners for assessments, charges, and liens, specifically subsection (a)(2).

10. If homeowners vote against this budget, what happens?

Response: Under Maryland law and the Association's governing documents, homeowners have the opportunity to review and comment on the proposed budget. However, the Board of Directors is ultimately responsible for adopting a budget that meets the Association's financial obligations and fulfills its fiduciary duty.

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11. Why are we getting this revised budget so late?

Response: The Board did not make a hasty decision to implement at $350 supplemental assessment. We were very careful to review all options to fund the reserve including increasing assessments. Unfortunately, carefully reviewing all options with the Attorney's took time.

The Board sincerely apologizes for the delay, but wanted to be sure we exercised the appropriate due diligence before moving forward.

Also, see question three (3).

Category 3 – Budget Development

12. Did the Board use the Annual Audit to prepare this budget? If not, why not?

Response: The proposed 2026 budget was not based on the annual audit because an audit reviews historical financial activity and does not provide future expense projections or reserve funding recommendations.

The Board used available financial information, including current financial statements, prior-year expenses, projected operating costs, and the 2025 Reserve Study. The Board commissioned a financial review; however, that review has not yet been completed or provided to the Board and therefore was not available for consideration during the budget preparation process.

13. Has the Board received professional guidance in developing this budget?

Response: Yes. See question three (3).

14. What role did inflation play in developing the 2026 budget?

Response: Inflation increased the cost of utilities, insurance, contracts, maintenance, repairs, and replacement projects, all of which were considered during budget preparation.

15. Has the Board identified any unnecessary spending that could be reduced before asking homeowners for additional money?

Response: Yes. The Board continues reviewing contracts and operating expenses for potential savings while ensuring the Association can continue providing essential services and properly maintaining the community.

Category 4 – Financial Accountability & Transparency

16. At the May HOA meeting we were told that our finances were in order. Why are we now facing a shortfall?

Response: The Reserve Study identified a reserve funding deficiency that required corrective action. In addition, the Association's operating funds also require corrective action to ensure ongoing financial stability and the ability to meet day-to-day obligations.

17. Why didn't the Board see this problem sooner?

Response: The current Board relied on the information available. As additional financial information became available, the Board concluded that additional reserve funding was necessary and is addressing the issue now rather than delaying corrective action. Unfortunately, carefully reviewing all options with the Attorney's took time.

The Board sincerely apologizes for the delay, but wanted to be sure we exercised the appropriate due diligence before moving forward.

Also, see question three (3).

18. Isn't this supplemental assessment simply paying for mistakes made by the Board?

Response: The supplemental assessment is intended to address the Association's current reserve funding needs as identified by the 2025 Reserve Study. While historical decisions contributed to the present funding level, the Board's responsibility is to ensure the Association is financially prepared for future capital repairs and replacements.

19. Why should we trust this Board with another $350 when previous Boards mismanaged the Association's finances?

Response: The current Board recognizes homeowners' concerns. Rather than delaying difficult decisions, the Board is presenting the financial information it has received, explaining the reasons for the proposed budget, relying on professional recommendations, and taking steps to improve transparency, financial oversight, and long-term planning. The Board's goal is to correct past funding deficiencies and place the Association on a more sustainable financial path.

20. How will homeowners know the supplemental assessment is actually deposited into reserves?

Response: The supplemental assessment will be recorded separately in the Association's accounting records and deposited into the Replacement Reserve account. Reserve balances are included in the Association's financial reports.

21. What financial information will the Board provide homeowners after the budget is adopted?

Response: Homeowners will continue to receive information required by the governing documents and Maryland law, including annual budgets, financial reports, and other information made available through the Association.

22. How will the new management company improve the Association's financial oversight?

Response: Sentry Management, Inc. brings extensive experience in community association management and has established financial controls designed to improve transparency, accountability, and compliance. As an accredited management company, Sentry follows industry best practices and provides timely financial reporting, enhanced oversight of accounts payable and receivable, improved collection efforts, accurate recordkeeping, and regular financial reports that enable the Board to make informed decisions.

In addition, Sentry works closely with the Association's legal counsel, including its in-house legal team, to help ensure the Association's actions are consistent with Maryland law and the Association's governing documents. Their team is well-versed in Maryland community association requirements, and one of their staff members serves as a Commissioner on the Prince George's County Commission on Common Ownership Communities (CCOC), providing valuable insight into local laws, regulations, governance, and dispute resolution processes.

Category 5 – Future Financial Planning

23. What steps is the Board taking to ensure the 2027 budget is approved in a timely manner?

Response: The Board intends to begin the 2027 budget process earlier. In fact, as soon as the 2026 budget is adopted, work will begin on the 2027 budget. The Board will review historical spending trends and is exploring the option of standing up a finance committee to work closely with the management company. We hope to have the 2027 proposed budget completed and presented to homeowners no later than October 1, 2026.

24. What lessons has the Board learned from the Association's past budgeting practices?

Response: The Board recognizes the importance of timely financial reporting, regular reserve funding, long-term planning, and transparent communication with homeowners.

25. How does this budget improve the Association's long-term financial health?

Response: The proposed budget increases reserve funding, aligns financial planning with the Reserve Study, and positions the Association to better fund future capital projects without relying on deferred maintenance.

26. What safeguards are being implemented to ensure reserve contributions remain a priority in future budgets?

Response: Future budgets will continue to incorporate Reserve Study funding recommendations. For instance, if the reserve study states $100K must be deposited into the reserve account, the HOA must ensure $100K is deposited into the reserve account, **unless** we have met the funding requirement.

27. Looking at historical contributions, it seems reserve funding has varied significantly in recent years. What measures or structural changes are being implemented in the annual budgeting process to prevent similar shortfalls and supplemental assessments in 2027 and beyond?

Response: Future budgets will continue to incorporate Reserve Study funding recommendations. For instance, if the reserve study states $100K must be deposited into the reserve account, we must ensure $100K is deposited into the reserve account, **unless** we have met the funding requirement. The Board also plans to monitor reserve funding levels throughout the year to help improve long-term financial forecasting.

28. What is the Board's biggest financial priority over the next three years?

Response: The Board's primary financial priority is restoring reserve funding while maintaining stable operations and preserving the Association's assets.

Category 6 – Collections & Cost-Saving Measures

29. Why doesn't the HOA put liens on properties to collect funds?

Response: The Association does pursue collections, including liens when appropriate and authorized under the governing documents and applicable law. Collection actions are handled in accordance with the Association's collection policy, legal requirements, and advice of legal counsel. The Attorney states when there is a regular pursuit of debt, annual disbursements to Summit Creek increase. Not every delinquent account is immediately eligible for a lien, and some cases may involve payment plans, bankruptcy proceedings, foreclosure, or other legal considerations. If the debt becomes uncollectible from the delinquent Lot Owner, there is nothing we can do but write off that debt.

30. What considerations are being made, if any, regarding temporarily closing the pool and recreational facilities until reserve funding is restored?

Response: Temporarily closing the pool was considered as a potential cost-saving measure. The Board recognizes that closing the pool would have reduced expenses and addressed a significant portion of the funding deficiencies. However, the Board determined that the long-term impact on homeowners and the loss of a community amenity required consideration of other funding solutions, including the proposed supplemental assessment and increased reserve contributions.

Category 7 – Equity & Homeowner Impact

31. How does adequate reserve funding affect property values?

Response: Adequately funded reserves help ensure that major community assets are properly maintained and replaced when needed. Strong reserve funding reduces the likelihood of deferred maintenance, emergency special assessments, and deteriorating common areas, all of which can positively influence marketability and property values.

32. The proposed budget includes $9,000 in Duplex Expenses and $25,000 in Townhouse Expenses. Why is the Single-Family Home community being charged the same $350 supplemental assessment when those expenses do not apply to single-family homes? Wouldn't it be more equitable to assess each community based on the expenses that directly benefit that community? Additionally, would the Board consider extending the payment deadline?

Response: The proposed $350 supplemental assessment is intended to replenish the Association's reserve fund, not to fund 2026 operating expenses.

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The Duplex Expenses and Townhouse Expenses in the operating budget are routine maintenance costs allocated to those specific housing types in accordance with the Association's governing documents and historical budgeting practices. These expenses are separate from the supplemental assessment.

The supplemental assessment is based on the reserve funding needs identified in the 2025 Reserve Study. Since reserve obligations apply to the Association as a whole and benefit all homeowners, the Board proposed a uniform assessment of $350 per lot. The amount was calculated by dividing the required reserve contribution among all lots in the Association.

The Board recognizes that a supplemental assessment may create a financial hardship for some homeowners. The December 31, 2026 payment deadline was established to provide homeowners time to plan while allowing the Association to meet its reserve funding objectives for the 2026 fiscal year.

Thank you to all homeowners who submitted questions and participated in the budget review process. The Board values your involvement and remains committed to transparency, responsible financial stewardship, and open communication.

We encourage all homeowners to participate to stay engaged in the governance of Summit Creek.