

An aerial photograph of a suburban neighborhood featuring numerous brick houses with tiled roofs. The houses are arranged in a dense, grid-like pattern, with some featuring white garage doors and bay windows. The roofs are primarily dark grey or brown tiles. The houses are surrounded by greenery, including trees and shrubs. The overall scene is a typical suburban residential area.

Tottenham Homeowners Association

BUDGET PRESENTATION

OCTOBER 2024

State of Michigan Reserve Requirements

- ▶ Michigan law requires that condominium associations maintain a reserve fund for major repairs and the replacement of common elements. MCL 559.205 and Michigan Administrative Code R 559.511(1)
- ▶ The state administrative code mandates that this reserve fund must be at least 10% of the association's current annual budget, ensuring that funds are available for substantial repairs and replacements.
- ▶ MCL 559.511(4), condominium should be carefully analyzed in determining an appropriate balance for the reserve fund. The Michigan Court of Appeals has stated that when establishing an annual budget, the board of directors must consider the, "creation of an adequate 'reserve fund' to cover the depreciation and obsolescence of the project's capital assets, e.g., to replace roads detention ponds etc. "
- ▶ Michigan's HB 5019, a new bill pending in the Michigan House, aims to bring significant changes to the way condominium associations manage their reserve funds?

Tottenham Neighborhood Background

- ▶ Established in 2002 by Singh Homes
- ▶ HOA managed by builder until 2007
 - ▶ All dues collected were spent on operating costs and management fees
 - ▶ Singh entered into a maintenance agreement with Canton Twp for ponds/sewers
 - ▶ Infrastructure reserves were NOT assessed from 2002-2007
- ▶ Transitioned to Self-managed Volunteer Board
 - ▶ Majority of dues collected were spent on operating costs with unspent funds carried over to subsequent years without a significant accumulation of funds.
 - ▶ Timely payment discounts were issued to encourage payment during recession and continued as a practice through 2024
 - ▶ Infrastructure reserves were NOT assessed from 2008-2018
 - ▶ Annual road replacement reserve assessments of \$200 began in 2019

Tottenham Neighborhood Background, continued

▶ Operating Funds

- ▶ Current operating funds are running deficits as emergency repairs and major maintenance is needed for the aging infrastructure (i.e. detention ponds, sidewalks, entrance walls, tree removal)
- ▶ Additional funds are needed for the following:
 - ▶ Maintain operating services
 - ▶ Create an operating emergency fund

▶ Road Replacement

- ▶ Engineer provided estimate of \$399k in 2024 dollars (current reserve balance \$100k)
- ▶ Current annual assessment of \$200 will not be sufficient to meet the projected cost for basic replacement of the road in 5-6 years

▶ Detention Ponds and Sewers

- ▶ Recent minimal clean-ups have cost \$8k per pond
- ▶ Major silt deposits may be impeding proper functioning
- ▶ Actively seeking proposals to estimate the costs to correct and plan ongoing maintenance

Tottenham HOA Responsibilities

- Oversee and maintain the HOA's governing documents and official records
- Oversee the financial business of the association
- Review and approve contracts with vendors
- Manage legal paperwork & issues
- Manage investing reserve financial assets

GOVERNANCE

- Oversee common area maintenance
- Prepare billing for dues and assessments
- Prepare vendor payments
- Manage financial records
- Investigate complaints and mediate disputes

OPERATING

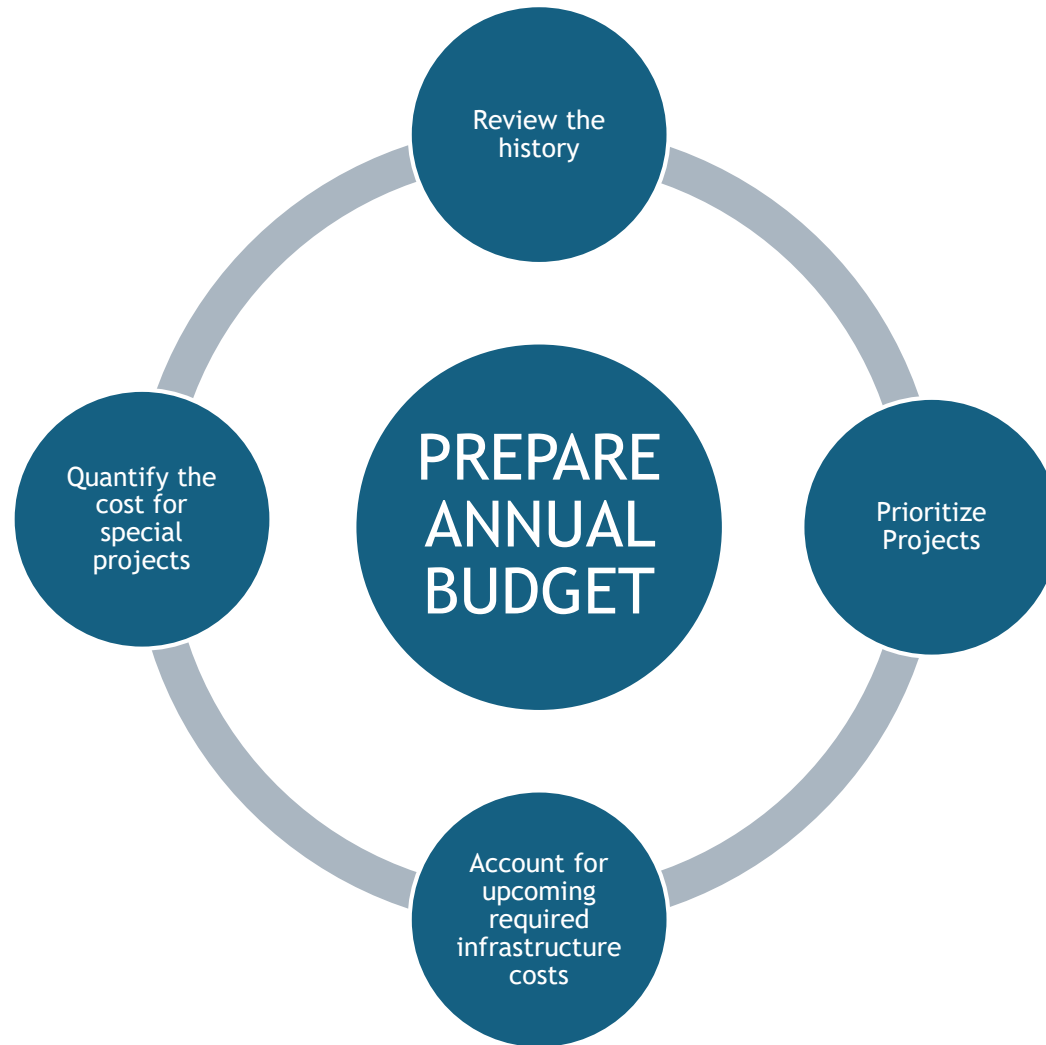
- Plan for infrastructure maintenance, repair & replacement
- Plan for operating emergencies
- Prepare annual budgets**
- Prepare reserve study
- Manage vendor relationships/bids

PLANNING

- Coordinate/conduct meetings and maintain meeting minutes
- Prepare resident communications
- Conduct elections
- Prepare tax returns
- Prepare annual reports
- Coordinate review of accounting records

ADMINISTRATIVE

Budget Process



Expense Categories

Governance

- Legal fees for Association legal documents & By-Laws
- Board materials & education
- Elections

Operating

- CA Maintenance
 - Flower beds
 - Grass
 - Trees
- Snow plowing/salt
- Utilities
- Routine infrastructure maintenance

Administrative

- Communications
 - Mailings, Website, P.O. Box
- Accounting
 - Software, dues billing, vendor pmts , postage
- Professional services, filing fees, insurance

Infrastructure

- Road replacement
- Detention ponds/sewer repair & replacement
- CA Sidewalks, mailboxes, signage
- Front entrance walls

Note: Emergency Expenses may occur in the Operating or Infrastructure Categories

What is a Reserve?

Money collected and saved in a separate account for large and infrequent common area costs, such as road replacement, sewer repairs & detention pond dredging/wall repairs (required by law)

A reserve study conducted by professionals identifies the status of reserve funds to cover the cost of funding major common area expenditures
Currently, due to financial constraints, the Board is self-managing this task

Reserve studies include a detailed inventory of major components the HOA is responsible for maintaining, estimating the remaining useful life and future replacement costs

Annual Income & Expense Comparison

	2024	2023	2022	2021	2020
Total Assessments Collected					
Annual Assessment Collected	43,450	38,150	39,225	39,700	37,475
Road Replacement Assessment Collected	15,600	15,000	15,000	15,600	13,200
Prior Year(s) Amounts Collected	2,850	7,800	4,795	695	-
Interest Income	3,696	-	-	-	-
	\$ 65,596	\$ 60,950	\$ 59,020	\$ 55,995	\$ 50,675
Total Expenses & Reserves					
Summarized Operating Expenses	55,599	69,203	61,012	25,900	32,051
Road Replacement Reserve	16,200	16,200	16,200	16,200	16,200
Detention Pond & Sewer Infrastructure Reserve	-	-	-	-	-
	\$ 71,799	\$ 85,403	\$ 77,212	\$ 42,100	\$ 48,251
	\$ (6,203)	\$ (24,453)	\$ (18,192)	\$ 13,895	\$ 2,424
Detailed Operating Expenses					
Administrative Costs	7,795	4,443	3,458	2,453	4,299
Grounds Maintenance	11,446	20,995	34,854	17,147	21,143
Road Maintenance	8,000	-	8,700	-	5,047
Detention Pond Maintenance	106	24,210	-	-	-
Sidewalk Maintenance	-	-	-	6,300	-
Mailbox Maintenance	-	255	-	-	1,562
Emergency Operating Expenses (Trees)	-	19,300	14,000	-	-
Remaining Budget	28,252	-	-	-	-
	\$ 55,599	\$ 69,203	\$ 61,012	\$ 25,900	\$ 32,051

Cash Account Summary

Current Board's Transition Date 8/1/23

CASH ACCOUNT SUMMARY		CHECKING	SAVINGS	CD	TOTAL CASH
8/1/2023	Beginning Bank Balances	\$ 178,366	\$ -	\$ -	\$ 178,366
	Transfer to Separate Reserve Accounts	(85,000)	10,000	75,000	
	Dues & Reserves Collected	3,613			
	Operating Expenses	(5,847)			
	Legal Costs - Association Document Review	(1,500)			
	Emergency Expenses - Trees & Ponds	(38,900)			
12/31/2023	Ending Bank Balances	\$ 50,732	\$ 10,000	\$ 75,000	\$ 135,732
2024 Activity:					
	Dues & Reserves Collected	45,994		16,000	
	Operating Expenses	(27,347)			
	Interest	-	1	3,696	
	Transfer to reserves	(5,309)	5	5,304	
8/31/2024	Ending Bank Balances	\$ 64,070	\$ 10,006	\$ 100,000	\$ 174,076
	Remainings spend per budget	(28,252.00)			
	Transfer to reserves	(10,000.00)	10,000.00		
	Transfer to reserves	-	(896.00)	896.00	
	Emergency Expenses - Wall repair & sealant	(9,225.00)			
12/31/2024	Estimated Ending Bank Balances	\$ 16,593	\$ 19,110	\$ 100,896	\$ 136,599

Proposed 2025 Annual Budget

Total Budgeted Expenses & Reserves

		<u>Per Unit</u>
Summarized Operating Expenses	60,750	750
Road Replacement Reserve	64,800	800
Detention Pond & Sewer Repairs	20,250	250
	<u>\$145,800</u>	<u>\$ 1,800</u>

Detailed Operating Expenses

* Administrative Costs	18,900	233
Grounds Maintenance	22,800	281
Road Maintenance	10,000	123
Sidewalk Maintenance	2,500	31
Mailbox Maintenance	2,500	31
Emergency Operating Reserves	4,050	50
	<u>\$ 60,750</u>	<u>\$ 750</u>

*Includes \$10k for legal costs to update outdated Association documents and a \$2.5k financial review of the 2024 accounting.

Reserve Projections

	2024	2025	2026	2027	2028	2029	2030
ROAD RESERVE PROJECTED COST [5%inflation rate]	399,000	418,950	439,898	461,892	484,987	509,236	534,698
BEGINNING BALANCE	81,000	100,896	168,723	238,585	310,542	384,658	460,998
ROAD RESERVE COLLECTIONS	16,200	64,800	64,800	64,800	64,800	64,800	64,800
INTEREST INCOME [3%]	3,696	3,027	5,062	7,158	9,316	11,540	13,830
CUMULATIVE TOTAL	100,896	168,723	238,585	310,542	384,658	460,998	539,628

	2024	2025	2026	2027	2028	2029	2030
* DETENTION POND & SEWER PROJECTED EMERGENCY MAINTENANCE COSTS							
BEGINNING BALANCE	-	-	-	-	-	-	-
DETENTION POND & SEWER INFRASTRUCTURE COLLECTIONS	-	20,250	20,250	20,250	20,250	20,250	20,250
DETENTION POND EMERGENCY EXPENDITURES	-	(20,250)	(20,250)	(20,250)	(20,250)	(20,250)	(20,250)
INTEREST INCOME [3%]	-	-	-	-	-	-	-
CUMULATIVE TOTAL	-	-	-	-	-	-	-

	2024	2025	2026	2027	2028	2029	2030
** EMERGENCY OPERATING RESERVE PROJECTED COST							
BEGINNING BALANCE	20,006	20,006	24,656	14,446	18,929	8,547	12,854
EMERGENCY OPERATING RESERVE COLLECTIONS	-	4,050	4,050	4,050	4,050	4,050	4,050
EMERGENCY OPERATING EXPENDITURES	-	-	(15,000)	-	(15,000)	-	(15,000)
INTEREST INCOME [3%]	-	600	740	433	568	256	386
CUMULATIVE TOTAL	20,006	24,656	14,446	18,929	8,547	12,854	2,289

* Currently in-process of soliciting estimates

** Unknown costs