

Michigan Hill Owners Association Treasurer's Report

Annual Meeting - 2026 / 2027 Dues Recommendation
Prepared by: Bill Stone, Treasurer

1. Financial Overview

The Association is entering 2026 with a stronger cash position than last year, but that is largely because road-related work was not completed last year and has not yet been paid for this year. That cash is helpful, but it should not be confused with newly built reserves or long-term financial strength.

Item	Amount
2026 Operating Budget	\$88,924.50
Revenue at 2026 Dues (\$250/lot)	\$62,797.51
Projected 2026 Deficit	-\$26,126.99
Deficit Excluding One-Time Culvert/Road Repair	-\$16,126.99
Estimated 2027 Ongoing Budget with 2.5% Inflation	\$80,897.61
Break-Even 2027 Dues	~\$322.30/lot
Recommended 2027 Dues	\$325/lot

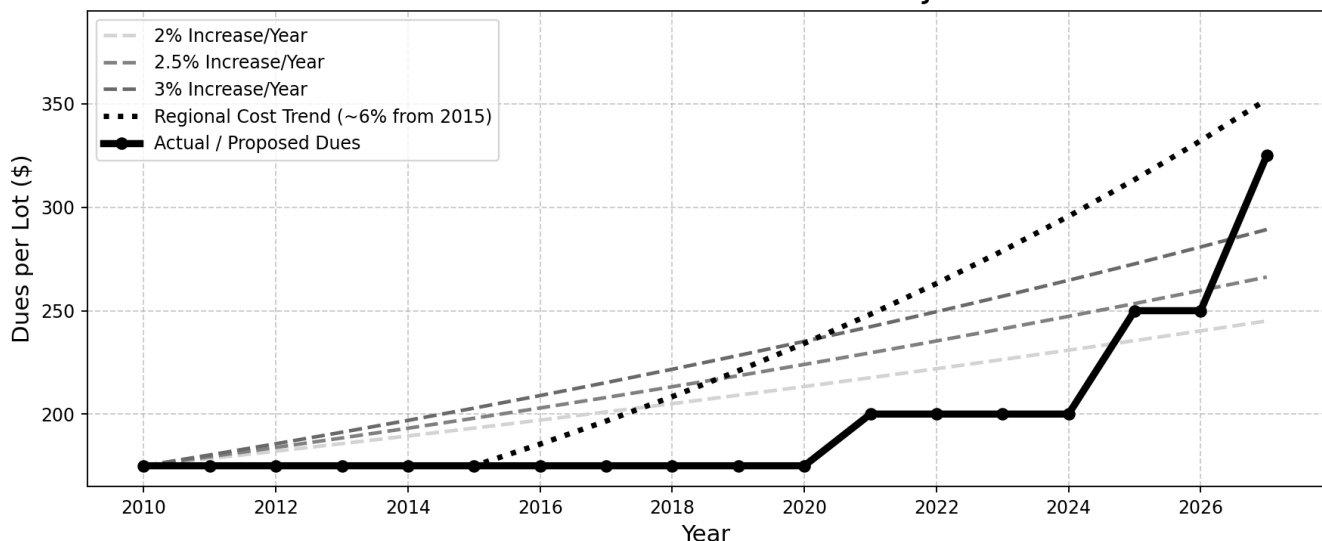
The 2026 dues level is already set. At that dues level, the HOA is projected to operate at a deficit if we complete the work in the budget. Current cash can absorb the deficit this year, but the budget tells the real story: annual dues do not cover annual obligations. Using prior-year carryover to pay normal expenses is not a sustainable plan.

2. Dues History & Inflation Context

Dues were \$175 in 2010 and remained unchanged for over a decade. They increased to \$200 in 2021 and \$250 in 2025. Meanwhile, the cost of insurance, snow removal, road materials, labor, maintenance, and construction continued to rise. This is the same basic problem described in last year's report: the math does not disappear just because dues stay flat.

Inflation is the gradual increase in the price of goods and services over time. A 2.5% annual adjustment is not aggressive; it is a conservative policy designed to prevent another decade of underfunding and a sudden large increase later.

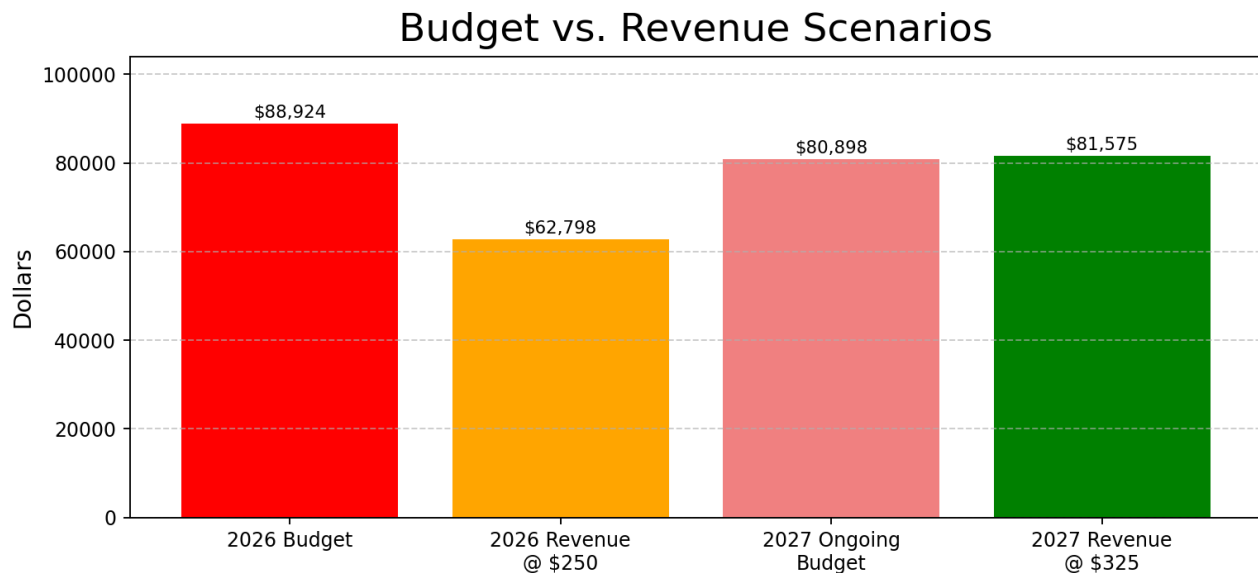
HOA Annual Dues Trends & Projections



The graph keeps the same 6% regional mountain-cost trend used in the 2025 report. It shows why flat dues fall behind and why a 2.5% annual policy is a conservative catch-up, not an aggressive increase.

3. Budget Gap and 2027 Dues Recommendation

The 2026 budget includes a one-time \$10,000 culvert/road repair. That repair should be completed using existing cash rather than permanently building that one-time item into dues. After removing that one-time cost, the ongoing annual budget is approximately \$78,924.50. Applying a modest 2.5% inflation adjustment creates an estimated 2027 ongoing budget of approximately \$80,897.61. With approximately 251 lots, the break-even dues level is about \$322.30 per lot. For a clean and practical number, I recommend annual dues of \$325 per lot beginning in 2027, followed by a 2.5% annual increase policy beginning in 2028.



This recommendation barely gets us by. It is not a large reserve-building plan, and it is not designed to fund major road reconstruction. It simply brings dues closer to the actual cost of operating the Association after removing the one-time culvert item. Without this adjustment, the HOA would continue relying on cash left over from deferred work rather than a sustainable annual budget.

4. Road, Pond, and Deferred Maintenance Reality

The most important point for membership to understand is this: deferring road work does not add to our reserves. It only delays the bill. We did not use funds for road-related work last year, and we have not yet used them for road-related work this year. That makes the cash balance look stronger, but it also means road maintenance is being pushed forward, not solved.

Mountain roads are not optional cosmetic items. They are essential infrastructure. Snow, runoff, freeze-thaw cycles, drainage, and gravel loss all create real wear. The longer maintenance is delayed, the higher the risk that normal annual work becomes a larger project requiring special assessments or major reconstruction.

5. Reserve Fund Planning

The Association currently has approximately \$157,509.49 across the listed accounts. That number should be read carefully. A significant part of that position exists because road work has been deferred, not because the HOA generated a true long-term surplus. If budgeted road work is completed, the cash balance will decline. The budget gap remains even though the current cash balance is temporarily healthy.

For this reason, I am not recommending a separate reserve catch-up assessment this year. However, I also do not believe we should present the current balance as proof that reserves are fully funded. Our reserves are probably still too low for an Association responsible for roads, culverts, drainage, pond, and common-area infrastructure, pending a professional reserve study.

6. Treasurer's Recommendation

- Keep 2026 dues as already set, understanding that 2026 is projected to run a deficit.
- Use existing cash to absorb the 2026 deficit and complete the one-time culvert/road repair.
- Increase annual dues to \$325 per lot beginning in 2027.
- Adopt a 2.5% annual dues increase beginning in 2028 to keep pace with inflation and avoid sudden jumps later.
- Do not treat deferred maintenance as savings. Delayed road work can become a larger and more expensive problem if ignored.

This approach is conservative. It uses the current cash position responsibly, avoids a separate reserve catch-up this year, removes the one-time culvert item from the ongoing dues calculation, and sets dues at a level that should barely cover normal operations moving forward. It also makes clear that deferred maintenance is not savings and cannot be used as a long-term budget strategy.

Key Takeaways for Membership

- The current cash balance is helpful, but it is not proof that the HOA is overfunded. It is largely the result of road-related work that was not completed last year and has not yet been completed this year.
- The \$10,000 culvert/road repair is a one-time 2026 item. It should not be used to inflate dues permanently.
- The \$325 recommendation is based on the ongoing budget after removing that one-time item, then applying a modest 2.5% inflation adjustment.
- The 2.5% annual policy is meant to stop the cycle of holding dues flat for years and then needing a larger correction later.
- A professional reserve study is still the best way to confirm the proper long-term reserve target for roads, drainage, pond, and common-area infrastructure.

Closing Remarks

Michigan Hill has operated on underfunded dues for many years. The proposed 2027 adjustment is not about building an excessive fund or spending more than necessary. It is about catching up with economic reality, protecting the roads and pond, avoiding surprise special assessments, and keeping the Association from using deferred maintenance as a substitute for proper funding.

The responsible path is to make smaller, predictable adjustments now rather than wait until deferred maintenance forces a much larger correction later. This proposal keeps the same practical message from last year: we can either keep up with costs gradually, or we can fall behind and pay for it later in a much more expensive way.

Sources and notes: 2026 budget and account balances are from the Michigan Hill HOA 2026 cash-flow spreadsheet. Inflation discussion follows the same framework used in the 2025 Treasurer's Report and current BLS CPI context. Reserve language is a planning recommendation, not a professional reserve study.