

Saddle Ridge Water & Sanitary Sewer Communication

March 2022

Currently, the entire Saddle Ridge water & sanitary sewer utilities (the equipment that supports the water & sewer systems) and infrastructure (the water & sewer lines, including the force line that delivers sewage to Portage Utilities) is managed by the SREA Utilities Director in conjunction with General Engineering Company. The water and sewer infrastructure throughout all of Saddle Ridge totals to approximately 10 miles, with the average age of utilities ranges between 23 – 30+ years and the average age of the infrastructure ranges between 25 – 47 years. The life expectancy of utilities is 25 – 30 years. The life expectancy of the water lines is 50 – 60 years and the life expectancy of the sewer lines is 70 – 80 years. In the past three years, there have been six leaks, costing Saddle Ridge approximately \$60,000 in repairs.

Every quarter, SREA's Treasurer provides detail and summary expenses and allocations to the four Associations, The Saddle Ridge Corporation, Saddle Ridge Golf Course, and SRA Marina (collectively called the "Participants") as it relates to the water & sewer shared expenses. The total units allocated to shared water expenses is 342 units and the total units allocated to shared sewer expenses is 323 units.

The Administration and payment to vendors who support, repair, and replace these utilities and infrastructure has been executed by SREA with discussion, input, approval, and reimbursement by the participants. This has basically been done as a "gentleman's" agreement amongst all Participants. There are no written water or sewer Agreements amongst the Participants as it relates to the water & sewer shared expenses.

With that said, we had a meeting on 3/6/2022 to review all this information which included projected water & sewer reserve fund models from 2022 – 2062 and cash flow models for 2022 and 2023. The attendees were as follows: Winnie Schumann (President Saddle Ridge Estates Association), Tom Joswiak (SREA Treasurer), Pam Barreau (SREA Utilities Director), Pat Kirk (owner of Saddle Ridge Corporation), Chris Martin (President Swan Lake Village), Jerry Hutzler (member of SLV), Fritz Meierdirk (member of SRA), Charlie Kirk President Forest Association), Dennis Allen (President Saddle Ridge Association and Lukasz Lyzwa (General Engineering).

Improvements that will be implemented are as follows:

Implement separate water and sanitary sewer agreements amongst the four Associations, The Saddle Ridge Corporation, Saddle Ridge Golf Course and SRA Marina.

Create two separate reserve fund savings accounts, one for water and one for sewer, that will be managed by the SREA Treasurer, with thorough financial reporting to all participants.

Create a Utilities Committee with cross functional representation from all Participants.

Implement a monthly flat fee, ACH payment structure for all Participants for water & sewer services using the projected annual water & sewer cash flow models. These models consist of the monthly contributions to the funds and the expenses that are planned for and executed.

Implement an annual contribution for 2022 – 2025 of \$300,000 for combined water & sewer. This is equal to the budgeted amount for the Oct 2021 through Sept 2022 fiscal year.

In previous years, unplanned repairs and maintenance were paid out of funds that were budgeted for other purposes. And it did not include any contributions towards future major anticipated expenditures/replacement costs of any of the utilities and infrastructure.

For individual unit owners, every \$100,000 spent on water and sewer expenses is equal to approximately \$25 of their monthly HOA fees. So in previous years, about \$50 of your monthly HOA fee went to pay for these expenses. In this current year, about \$75 of your monthly HOA fee is going toward these expenses. As a point of reference, homeowners in the town of Portage pay about \$100 per month on their monthly sewer and water utility bill. So Saddle Ridge unit owners are still getting a favorable rate on their water and sewer utilities. Keep in mind, that Portage Utilities may increase their fees and that would have an impact on our unit cost per month.

The projections are based on a \$50,000 annual contribution increase every five years, primarily driven by inflation. A per unit monthly HOA fee of \$12.50 equals the \$50,000 annual contribution.

We have several high priority areas of concern needing maintenance, repair, and/or replacement. To address these areas and avoid potential outages as much as possible, complete the analysis and repairs in these areas within the next 5 years.

The Utilities Committee will review the overall status of all of our systems and identify the repair and replacement projects to be addressed and when. That will accomplish 2 objectives, provide a functional and safe water and sewer system, and to do so in a fiscal responsible manner.

What does this mean to each individual Unit owner?

Through reserving of funds for repairs / replacements, money will be available to provide for the longevity of our water and sewer systems

The cross functional advisory committee will provide improved representation for all participants.

The water and sewer agreements will clearly define roles, responsibilities and regulations.

Will it increase your maintenance fees? Without further detail assessment of our sewer and water systems with input from the advisory committee, it is difficult to say what the impact will be.

In summary:

We are already experiencing failures and feel we would be remiss in not providing planned funding to replace and/or repair the sewer and water systems.

We have operated in a mode of pay as we go. The downside to a pay as we go mode in the future is that it would most likely result in very big special assessments. We prefer to be proactive by creating the nest egg (reserve) to handle the big items when it is time to address them and hopefully before we have unexpected failures.