

**THE PRAIRIE CLUB
BOARD of DIRECTORS' MEETING
May 16, 2018**

Call to Order

President Doug Elrick called the board meeting to order at 6:30 pm. All members listed below were present unless designated by an asterisk (*). All members listed below with (p) participated via teleconference.

Officers: President – Doug Elrick (2018)
1st Vice President – John Manthey (2018)
2nd Vice President – Patricia Craig (2018)
Hazelhurst Camp Chair/Vice President – Larry Bergman (2018)
Spring Grove Camp Chair/Vice President – Erin Kiehm (2018)
Treasurer – Bill Breach (2018)
Recording Secretary – MP McKenzie (2018)

Directors:

Jim “Mac” McCarthy (2018)	Hope Little (2019)	Bob Foote (p) (2020)
Patty Ciesla (*) (2018)	Richard B. Spurgin (2019)	Art Anderson (2020)
Brian Reed (2018)	Charles Calkins (p) (2019)	Charlie Johnson (*) (2020)
Dan Gapen (2018)	Jean Simmons (p) (2019)	Terry Riban (2020)

Chairs: Buena Vista - Paula Flanagan (*) and Beverly McBrien (*)
Family Cottage - Carla Klausler (*)
Farmhouse - Deb McGrath (*) & Barb Wittersheim (*)
Membership - Barb Burton Halfpenny (*)
Nominating – Leo Krusack (*)
Conservation – Leo Krusack (*) and Bernie Dahl (*)
Activities - Hope Little
Spring Grove Lodge – Mickey Hanson and Judy Illingworth (*)
Finance - Rich Spurgin

Members: Nelson Pelletier, Sue Krusack (p)

Executive Director: Jacquie Dziak
A quorum was established.

Minutes Approval:

Jim "Mac" McCarthy moved to approve the 3/14/18 board minutes; Charles Calkins seconded, all in favor, the motion passed.

Treasurer's Report - Bill Breach

For the first quarter 2018, January - April, house fees are \$42,000, a little less than anticipated but not worrisome.

Larry Bergman reports that we're at about \$100,000 booked for season rentals at Hazelhurst, that's about the same as last year.

Donations are not budgeted, we're just under \$2,000. Member dues are \$83,000 but more will continue to trickle in over the coming months. Our net income is up, \$143,000 versus \$137,000 budgeted.

The various improvement funds are at \$194,000 and regular checking account has \$210,000.

There are a few other things worth mentioning. Our 2017 income tax has been filed on time. We're exploring the possibility of opening another kind of investment account, an alternative to checking since interest rates are still quite low. We'll have more information on that at the next board meeting.

Old Business

Standing Committees

Elections - Sue Krusack (no report)

Nominating - Leo Krusack (no report)

Membership - M.P. McKenzie

4 names were published in our most recent bulletin and no objections have been raised.

Henry White

Heather and John Muir

Edward Gilger

John Manthey moved to accept the new applicants as presented for active membership. Patricia Craig seconded; all in favor, the motion passed.

Prairie Club Capital Plan – Rich Spurgin

This is a living document, constantly being updated at least annually. It's to help clarify the long term financial position of the Prairie Club. Its intended to help committee and camp chairs to plan for improvements down the road.

There is a lot of guesswork involved, its only as good as our best estimates. We estimate the replacement costs of assets, how quickly we expect them to wear out and need replacing, so we can plan in advance. However, its not an exact science. The tennis courts should need replacing by now but they don't yet.

Everything in here will be replaced when it wears out. What we own is depreciating, we make our best guess for how quickly its wearing out, so we can estimate how much we should set aside each year. We now have 4 different reserve funds.

We're in good shape on club owned properties at both Hazelhurst and Spring Grove. We're in OK shape this year for set asides for the reserve funds.

Our planning is to reach a target of \$712,000, that's an ideal to aim for. Its not a requirement, its just a goal. We'll be building this over time by adding in more than we take out annually.

Over 10 years, it will gradually build up. Right now, our reserves are \$218,000, so our target is to increase that by \$454,000.

Q&A

How did this come about? We run into straits every 5 to 10 years with our properties - the Farmhouse, Red Barn, Buena Vista, when something reaches crisis requiring immediate attention and significant funding.

Can we get by with less in reserve? The point is to avoid crisis.

As a non-profit, is there a maximum we can have on reserve? No, not that we know of. We may need to spend 5% annually, but that's not a problem.

How did we determine the target? Rich did the research, looked at many plans for comparable non-profits. For the most part, they structured plans at 2% annually for capital, ongoing and eventual replacement of assets. Based on his research, the ideal figure is 10x the annual depreciation. In the future, we'd like a more specific way to compute, but for now, this works.

In the past 8 years, we've spent \$665,000 on capital improvements. The level of interest and activity has increased, rentals are up. The question is whether we're spending too little? Anything we can do to make the rentals more attractive? Should that be in the budget?

We're trying to build in these concepts so committee chairs can make those improvements. Any capital plan should be in here.

The club owned capital assets are listed in the document. The recommendation is to the chairs each year to make improvements, to not hold back. The rental properties are being used and making money, we need to encourage the chairs to make necessary improvements. They'll still need to be in the budget and require board approval. But we should let them know we have the money, spend it wisely as an investment.

We don't have too much money on hand.

Annual Meeting - Hope Little

The annual meeting will take place June 9th. The new member meet and greet will start at 10 am. Registration will begin at 11 am. Lunch will be served, starting at noon. And Laurel Salvatore will lead a nature walk after.

Also, there's a Prairie Club kayaking outing planned for the following day, June 10th, on the Galien River. Its still in planning because the kayak rental hasn't opened for the season yet. The Michigan DNR denied their permits due to parking concerns. So, you might need to provide your own kayak.

New Business:

Hazelhurst Cottage Ownership - Nelson Pelletier

Nelson spoke with the Chikaming tax assessor about an unrelated issue and during the course of their conversation, the assessor asked who owns what cottages at Hazelhurst Camp. As he looked into it, we found that the club does not keep records on ownership, only the lease signatories. While we have not been asked to provide such a list yet, at some point he will followup and we should be prepared for that.

A few years ago, the Hazelhurst siteholders negotiated a 10 year lease agreement. The question that has arisen regarding cottage ownership is a club issue and not a reflection on the office or office staff, past or present.

Hazelhurst was founded 88 years ago and many cottages are still in the same families, now into the 3rd or 4th generation. While the club requires that you have to be a member to purchase a cottage, there are no policies or guidelines for inheriting, bequeathing or otherwise donating your cottage. In fact, several years ago, there was a member who left her cottage to her church which led to complications and a forced sale.

This led to a variety of questions. Outsiders can't own cottages, but we have no policy spelling that out. Trusts can't own cottages since a trust isn't a person and therefore not member eligible. So we need guidelines and policies to protect ourselves legally from this gray area now that its come to our attention.

Meanwhile, a further complication is that members own the cottages but not the land they are built on. They are considered Personal Property because they are Buildings on Leased Land.

Furthermore, Hazelhurst sites are defined by their center points, not by dimensions. There are no specific site lines between cottages. The center of each site is the geometric point at which the center of the cottage sits.

Tax bills and notices are sent to the club not cottage owners. Michigan sends tax notices to the owners of the land. If there's a problem, the county will sue the landowner, not the leasee. It's the landowner's responsibility to see that taxes are paid in full and on time.

There is a Property Transfer Affidavit that should be submitted anytime a cottage changes hands, but no one has

followed up on that. It's been left to individual owners to file and the assessor doesn't have records on those. So they don't know who the owners are and we don't know who the owners are.

In 1995, Michigan changed the way taxes are computed. It used to be that the assessed value (50% of its true cash value/fair market value) but that meant taxes went up or down based on market swings. Michigan voters decided that taxes would be assigned a taxable value which was not to exceed assessed value. And that taxes can only increase by 5% or the rate of inflation: whichever is less.

The exception to this rule is for a transfer of ownership. In other words, the rate is capped at 5% or the rate of inflation, whichever is less, until the property transfers hands. Then it is uncapped and re-assessed. In a rising real estate market, this can be a significant increase. So, new owners are required to file a Property Transfer Affidavit with the assessor within 45 days of the transfer.

You can now go online to the assessor's office and find a map of Hazelhurst, individual cottages, their footprints and photos. The township views cottages as "barely habitable" because most are not winterized and not inhabited year round.

We are now in year 2 of a 10 year lease. Any new Club Policies have to be approved by the siteholders and the board. If a cottage is sold, we require a bill of sale and a Property Transfer Affidavit. The club has been using the same bill of sale document for years. If more than one person purchases a cottage, it doesn't spell out survivorship rights. In Michigan, for jointly owned property, if one person passes away, their share goes to probate unless there is an ownership document which makes them joint tenants.

We have a proposed letter to the siteholders, who are presumed to be owners. The office will send that out.

Does the Prairie Club have a statutory need to know who the cottage owners are? We know where to go for dues, assessments and taxes, do we need to know who legally owns the cottages?

The Prairie Club gets dinged if anyone fails to file - we are liable for back taxes plus penalties and interest.

Even if the club doesn't know the owner, it can force the sale of a cottage to cover any fines or lawsuits. Some people have placed their cottages in trust, but a trust cannot be a Prairie Club member, and you have to be a member to own a cottage.

There are two other associations in Chikaming. Bethany Beach also leases, but they have 99 year leases and sign them as new owners come in. They also have dimensioned lots.

Since we don't know who owns our cottages we cannot prevent non-members from owning. There are no policies and procedures governing this. We need policies developed by the siteholders and approved by the board.

If siteholders want to use trusts to ensure that the cottage will always be in the family, how can that be addressed? 4 or more generations in, even siteholders aren't clear as to who owns their cottages; do we expect them to go back through probate records to try and trace the legal hereditary succession?

Do we ask siteholders to fill out a Declaration of Hazelhurst Cottage Ownership? If the assessor comes to the Club President, will he have this information in a timely fashion? Will it be reliable? Do we want to force siteholders to figure this out in just a few weeks?

The Prairie Club President needs a list or at least a plan for who owns our cottages. And we need to develop policies to at least spell out that anyone who acquires ownership outside of the club is bound by our policies.

What about liability issues? What if someone gets hurt, who is legally responsible? Who do they sue if we don't know who owns the cottage?

We have an assumption that the leasees are the owners but that may not be true in every case.

Ultimately the tax assessors are in charge, we are not.

John Manthey moved to:

- a. move forward and create a list by which the siteholders can identify and declare ownership, including permanent addresses of each owner, to the town assessor
- b. reach out to those who receive tax bills from the club
- c. declare the Prairie Club is not liable for the accuracy of information submitted by its siteholders
- d. send a written letter from the Club President to the siteholders to accomplish this by 6/30/18

Rich Spurgin seconded, all in favor, the motion passed.

Prairie Club Maintenance Expense Analysis

John Manthey deferred to the next board meeting. He sent an email to the board regarding the history of capital improvements, please read the email and let him know if you would like to be part of the committee examining the next 30 years.

Reports from Camps and Activity Committees:

Hazelhurst Camp - Larry Bergman

The Cinco de Mayo tree planting was a big success, with 30-40 members participating and 185 trees planted in the pond area and sunset point to the beach. They need watering for the next several months, so hoses have been run to both areas. This project was funded by the generous Millermier donation to the Hazelhurst Conservation Committee.

The Red Barn work began 5/1, with replacing the beam between the old and new section, and removing the posts. Next will be the barn stage and floor replacement. Work is scheduled to be completed by the annual meeting and optimistic about accomplishing that. \$13,000 of the \$15,000 budget has been committed and we still need to replace the side door and slab to meet ADA guidelines.

Vern and Larry met with AEP regarding the abandoned power lines along the dog path to the beach. Removal is expected to be done within the next month.

This year, the snow removal cost nearly tripled and is about \$1,000 over budget.

And the Beach is back! Our beach is significantly larger than last year and larger than all neighbors.

Spring Grove Camp - Erin Kiehm

We finished rehabbing the caretakers cottage, above the lodge. There's a caretaker interview scheduled for this weekend. And the water has been turned on in the lodge.

Erin Kiehm moved to adjourn, Rich Spurgin seconded, all in favor, the motion passed. Meeting adjourned at 8:18 pm.

Next meeting: Wednesday, July 18th, at the VFW in Villa Park, IL at 6:30 pm.

Respectfully Submitted,
MP McKenzie

**Future 2018 Board Meeting Dates:
September 19; October 17; December 12**