



April 17, 2024

HOA Area Representatives,

An Area Representative reached out to the District regarding an alleged claim made regarding The Management Trust's Management Retainer Agreement (Retainer). The District Board wanted to share our response with all Area Representatives.

***Schedule of Other Available Services and Fees***

Please find attached the Retainer. The agreement is available for all property owners on [my.managementtrust.com](http://my.managementtrust.com). It's important to clarify that this is a district management agreement, distinct from a staffing agreement. The retainer follows a standard boilerplate format typical of management companies. Upon review, you'll notice that the retainer includes provisions for services the District currently does not offer nor intends to provide, such as covenant enforcement.

Management companies assign community managers to oversee a portfolio of communities. Should a community require additional services beyond the agreement's scope, additional fees may be incurred. In the spirit of transparency, The Management Trust has outlined these fees in Exhibit A on pages 25-26. The District Board welcomed the transparency and appreciated The Management Trust's commitments to be open with the Board and the community. As Exhibit A states, this is other available services and fees.

While reviewing, one might believe costs would incur as described at the HOA budget meeting. However, Exhibit A largely does not pertain to the District. Exhibit B complements Exhibit A by detailing full-time employees (FTEs). With seven onsite FTEs fully compensated by the District, Southshore likely won't need assistance from The Management Trust's regional support staff, which Exhibit A defines in detail.

It's logical to assume that the District wouldn't be billed for both direct labor costs and an administrative hourly fee for the same individual. As a matter of fact, one of the driving forces behind adding seven FTEs is to provide the services outlined in Exhibit A on a grand scale to meet the needs of Southshore. Any reasonable person should know that the District would not tolerate being double billed for a service.

***What the Retainer Provides for Regional Support***

The Retainer's base fee encompasses various services. In addition, section 8.1.5 states The Management Trust, excluding the FTEs, is obligated to provide up to fifty-six (56) hours monthly. This is an estimate to fulfill standard management duties, which includes attending and supporting community committees.

Additionally, section 4.7 mandates The Management Trust coordinate and attend a minimum of thirteen (13) Board meetings annually.



Despite the inclusion of regional support and onsite staffing, the HOA Board persists in disseminating false and misleading information to the community and, specifically, the Area Representatives. As Area Representatives and members of the community, we should all be asking why is the HOA Board continuing to promote intentionally inaccurate information?

### ***Exclusivity***

In relation to the discussion about the HOA budget and the Retainer, it's important for the Area Representatives to be aware that the retainer grants The Management Trust exclusive rights to manage the District's property. This exclusivity clause prohibits the District, by contract, from allowing the HOA to engage any other company for event planning and execution.

Despite being aware of this exclusivity clause, the HOA Board continues to disregard the District's contractual obligation. As concerned members of the community, we should question why the HOA Board is advocating for staffing when they know these individuals contractually cannot fulfill the promised services.

### ***Staffing Costs***

The District has committed to employing seven Full-Time Equivalents (FTEs), amounting to approximately \$616,000 annually. This marks a significant 110% rise in staffing expenses compared to the HOA's reported expenditure in 2023, which totaled \$292,000 according to the HOA's unaudited financial statements on AMIhoa.com. The District Board thoroughly deliberated the staffing plan, recognizing the substantial financial commitment it represents for the community. The decision to expand staffing was made with careful consideration.

The staffing plan only recently came into effect on April 1, 2024. As concerned Area Representatives and community members, we must question why the HOA Board is advocating for an additional \$270,000 expenditure, resulting in a total staffing cost increase of 203%.

### ***Covenant Control***

Throughout recent community discussions, property owners have expressed a strong desire for prudent financial management. As previously mentioned, the Retainer encompasses common community management functions, including covenant control. Despite the District's lack of interest in covenant control, the HOA is encouraged to consider utilizing The Management Trust for this purpose. Such a decision would entail no additional cost from The Management Trust. If the HOA were to opt for The Management Trust's covenant control enforcement, wouldn't this lead to further savings for property owners?



While the District remains impartial regarding who provides covenant control, it firmly supports cost-saving measures for property owners. As Area Representatives and community members, we should question why the HOA Board hasn't engaged with The Management Trust regarding covenant control.

Interestingly, the HOA budget allocates funds for an FTE to support covenant control, despite this function already being fully covered under the AMI management agreement. As concerned representatives and community members, we must inquire whether property owners should anticipate an increase in violation notices. Additionally, as the community nears build-out, why does the HOA suddenly require more support for covenant control?

### ***Social Committee Support***

The District's staffing plan has significantly bolstered support for programming, including events organized by the HOA's Social Committee. During the Request for Proposal (RFP) process, management companies were queried about the typical level of support required for a Social Committee. The consensus indicated that Social Committees typically require around 10 hours per week or a quarter of a Full-Time Equivalent (FTE). Despite this understanding, the District opted to increase the level of support.

The additional support staff have now arrived onsite and are beginning their collaboration with the Social Committee. As Area Representatives and community members, it's worth considering why not afford the new increased support staff an opportunity to prove their effectiveness? Why not undertake a thorough monitoring and assessment of The Management Trust's performance over the next six months?

### ***Conflicts of Interest***

Over the past few months, members of the HOA Board and its committee members raised concerns regarding potential conflicts of interest involving District Board members. The District Board promptly addressed these claims with factual evidence, disproving them as misrepresentations.

However, it's notable that a member of the HOA Board has a spouse serving as the co-chair of the Social Committee. This Board member possesses authority over the budget and invoice approval process. Similarly, an Area Representative, vested with budget ratification authority, also has a spouse serving as co-chair of the Social Committee.

The HOA has a Conflicts of Interest policy explicitly stating that directors must not distort facts to promote personal agendas and must refrain from harassing, threatening, or intimidating any community member.

It's widely recognized that certain members of the HOA Board and its committees have targeted community members, including Area Representatives and District Board Members, with unwarranted attacks. As concerned representatives and community members, we must question why these individuals are permitted to participate in discussions and vote when there's a perceived attempt to advance personal interests.



### ***Required Notice of Meetings***

Similarly, members of the HOA Board and its committee members expressed concerns regarding the transparency of the District. In response, the District improved communication by publishing FAQs, enhancing its website, and hosting public town hall meetings.

During this time, the HOA Executive Board voted to approve the original 2024 budget in a closed meeting without notifying members or allowing members to offer comments. Subsequently, after the Area Representatives ratified it, the HOA Executive Board quietly ratified the budget at their public meeting in January 2024.

It remains uncertain whether the HOA Executive Board intends to take action on a revised budget in April 2024. However, as per Section 3.3 of the HOA's bylaws, it is mandatory to provide written notice to each property owner at least ten (10) days before a meeting via first-class mail, especially when proposing changes to the budget. This notice must include the meeting's time, agenda items, and the general nature of the proposed changes.

As concerned Area Representatives and community members, we feel compelled to question why the proposed budget has not been shared with the entire community. Additionally, why hasn't the HOA formally announced a meeting and provided guidance regarding the proposed changes?

### ***Final Comments***

Now that the transition has been completed, the District firmly believes it's time to put this matter to rest and move forward. Furthermore, the District is of the opinion that it's in the best interest of the community not to introduce additional staffing at this juncture, and the HOA should collectively embrace this change for the community's betterment.

Additionally, the District advocates for the community's best interest by proposing a further reduction of fees by \$248,181, as outlined in the HOA's proposed amended budget. Should these funds be allocated to the District, they will be distributed solely to District property owners.

The District proposes convening a meeting with the HOA in September 2024 to facilitate discussions on the transition and collaboratively develop recommendations for improving and establishing guiding principles for the 2025 budgets.

In service to Southshore,

The Southshore Metropolitan District Board of Directors