

Governing MKL More Efficiently

An Inform Meeting Presentation
December 13, 2011

Improving Efficiency

- The MKL Association and Lakeshore Company seek to make the governance of MKL more efficient by:
 1. Consolidating all maintenance activity into 1 organization
 2. Making resident/government interactions simpler, and thus less error prone
 3. Requiring less volunteer time for the treasurer's job

1. Consolidating Maintenance in One Company

- Some aspects of maintenance are spread across Lakeshore (e.g. the water company) and the Association (e.g. the lake).
- This requires, for example, separate reserve funds, reserve accounting, bank accounts, etc.
- Proposal: make the Association responsible for all aspects of maintenance of ALL Lakeshore owned property and facilities.
 - Includes planning, oversight of work, financing

2. Making Resident/Government Interactions Simpler

- Since most expenditures (operating and large scale maintenance) would be borne by the Association, pay dues only to the Association:
 - Eliminate Lakeshore dues
 - Increase Assn dues by equal amount
 - **Total dues remain the same.**
- Equalize dues payments every dues cycle.
- Residents pay to only one org (the Assn.), and pay the same amount each time.

3. Requiring Less Volunteer Time for the Treasurer's Job

- The Treasurer's time is reduced because:
 - Dues checks made out correctly (amt. & company)
 - Only 1 Reserve Fund needs to be managed
 - Processing of Lakeshore's Income becomes almost trivial
 - Only income is rent from Association (discussed shortly)
 - No Lakeshore dues cycles, delinquencies, etc.
- Financial planning activity is restricted to one company

Cost Savings

- When properties become dues-delinquent, liens from only 1 company (instead of 2) are needed, saving
 - filing costs
 - treasurer's time

Lakeshore/Association Relationship

- Lakeshore will still have a few expenses, e.g.
 - Taxes on ballfields, payments of dam/dredge loans
 - Lakeshore will need revenue to pay its expenses
- Proposal:
 - Consolidate all dam/dredge obligations in Lakeshore
 - The Association will rent and do maintenance on all Lakeshore owned facilities (water system, roads, recreational venues, etc.), in return for complete use of them.
 - The rent is negotiated between Lakeshore and the Association, with the intent for Lakeshore to break even.

Lakeshore/Association Relationship

- This is an extension to ALL Lakeshore property and facilities of what the Association already does to most of it.
- We have consulted with our accountant and tax attorney and they indicate that this action is legal and proper.

Bylaws Changes

- In this project, the goal is to minimize bylaws changes, but to make changes:
 - to move tax savings language from Lakeshore to Assn
 - for accounting & managerial efficiency
 - to continue to improve collection of delinquent accounts
- The group recommends that the bylaws be substantially overhauled next year because:
 - they are patched with some repetition
 - need modernization (e.g. email ballots, electronic checks, etc.)
 - uneven levels of detail (some of the detail should be moved to other governing documents)

Area of Proposed Changes: Tax Savings to be Reserved by Association

- Article IX
 - Association will put tax savings into a Reserve Fund (changed from “Account”)
 - Equivalent section (Article VII) removed from Lakeshore bylaws

Area of Proposed Changes: Collection of Dues

- Article VII Association dues quarterly
 - Dues due dates to be: Jan 1, April 1, July 1, October 1
 - Arrangements can be made with treasurer to pay monthly
- Article VII: Remove 10 day grace period for dues delinquency
 - Dues notice at least 30 days before due date
 - Penalties start the day after due date
 - Standard procedure & makes calculation of late fees easier
- Article VII: Drop language on 50% dues charges for private undeveloped lots
 - no more private undeveloped lots exist

Area of Proposed Changes: Delinquency

- Article VII: New section (#9) providing for assumption of rents for delinquencies
- If a homeowner is delinquent and rents his/her property, the Association can:
 - Receive part of the rent in order to pay delinquent dues, penalties, fees, etc.
 - When homeowner is no longer delinquent, the Association will stop receiving any of the rent.
 - The Association already has the right to assume rents, but this bylaw change will facilitate the legal process and save the Association time and expense if it is used.

What Needs to be Done

- Reduce Lakeshore's dues to \$0 (board action)
- Increase Association dues (membership vote)
 - **No net change in dues**
- Implement Lakeshore/Association rental agreement (no resident vote needed).
- Adjust bylaws to accommodate all maintenance by Association (e.g. eliminate Lakeshore's reserve requirement)
- Adopt a few other bylaws changes (mostly financial) in nature

Next Steps

- Incorporate Inform Meeting input. Votes at Annual Meeting
- Dues transition during January, 2012
 - Dues to be \$775/Quarter (4 x \$775 = \$3100)
 - Two dues-payment transition options:
 - Get on the new plan by paying \$775 in January, OR
 - Pay \$625 in January (currently scheduled Lakeshore payment) + pay a \$150 “catch-up” payment in February (After Annual Meeting)
 - Thereafter dues invoices to be for \$775
 - Subsequent invoice to be March 1, payment due April 1
 - Those who prepaid the roads fee for 5 years
 - Different payment schedule as prepayment runs out
 - Will return to \$775/quarter in second half of 2012

Discussion

- Comments
- Questions
- Suggestions