

## Improving the Efficiency of MKL Governance 11/07/11

The Association and Lakeshore boards have requested an investigation into improvements in the efficiency of governing MKL. Improving the efficiency should:

1. eliminate duplicate work by consolidating the roles of the Association and the Lakeshore Company in maintaining common property.
2. make interactions between residents and the MKL government simpler, and thus less error-prone (e.g. eliminate residents writing checks in the wrong amount and/or to the wrong company).
3. make internal governance tasks simpler and thus take less volunteer time.

Hopefully these efficiencies will also enable financial savings in the governance of MKL.

### **A Proposal to Make MKL Governance More Efficient:**

The maintenance of common property has historically been split between the Lakeshore Company and the Association, often leading to duplicate work in planning for, coordinating, reserving for, and paying for particular maintenance activities. For example in order to implement the recently approved reserve concept, it might be necessary to have reserve accounts and accountings in each company. This would increase the complexity of maintaining a reserve system and increase the work of the volunteer treasury staff. To streamline our operations it is now proposed that ALL future maintenance activities (operational and capital) be planned, performed and paid for by the MKL Association. This addresses point 1 above.

Since the Association will be paying for ALL maintenance activities, the recently passed measure to partially fund maintenance from real estate tax savings created by deed restricting Lakeshore properties will create mismatches in the Lakeshore and Association companies between expenditures required for their operations and their income. In particular, with its reduced maintenance responsibilities the Lakeshore Company will have too much revenue, and the Association, with its increased maintenance responsibilities, will have too little income. We thus propose a restructuring of dues collections in the two companies as follows:

- all dues currently paid to Lakeshore would be eliminated
- MKL Association dues would be increased by an amount equal to the eliminated Lakeshore dues. Thus MKL residents will see **no difference in total yearly dues**. Payment amounts would be arranged so that payments would be the same every time a payment is due.
- Not only does this put maintenance money in the correct company, but since dues would be paid to only the Association, it eliminates a source of resident confusion on whom and how much to pay. This meets point 2 above.
- Additionally, it is currently the case that multiple liens (Lakeshore and Assn) need be placed on properties delinquent in their dues. With only one organization requiring dues this would save in legal fees and take less volunteer effort in delinquency cases. Thus this proposal meets point 3, and should also save expenses.

- In order to pay its (non-maintenance) bills, Lakeshore will charge the Association a negotiated rental fee for the use of Lakeshore facilities and services, e.g. use of water system equipment, recreational venue usage, road usage, etc. Note that Lakeshore would no longer actually deliver water, it would rent its facilities to the Assn to do so. It is proposed that a formal rental contract between the orgs be created. The rental contract would:
  - o Replace all prior maintenance/usage arrangements between the companies
  - o Dissolve the previous agreement between Lakeshore and the Association to split the cost of the previous dam fix/ dredge operations. Lakeshore would assume total responsibility for payment of the loans outstanding for these past maintenance activities.
  - o Require the Association to perform ALL future operational and capital maintenance on Lakeshore properties and facilities.
  - o Require the Association to pay a negotiated yearly rental fee to Lakeshore.
  - o Within the scope of Lakeshore's deed restrictions, permit the use of ALL Lakeshore facilities/properties by the Association.

This arrangement would be internal to the companies and would be opaque to MKL residents.

### **Eliminate Conflicts and Clarify the Bylaws**

A number of places in the bylaws contain conflicting requirements. Moreover a number of places are not quite precise enough (e.g. distinguishing between late fees and interest payments when dues are delinquent). It is proposed that such conflicts be eliminated and clarifications made.

### **Actions Necessary to Carry Out this Proposal**

In order to implement this proposal the following would need to be performed

- Lakeshore dues would be eliminated by its board.
- a motion to raise dues in the Association would have to be adopted.
- A new contract (i.e. rental agreement) between Lakeshore and the Association would have to be created and approved by their respective boards.
- Minor revisions to the bylaws would have to be made and approved.