
RESOLUTION PROPOSAL

DATE: May 28, 2009

SUBJECT: Dues Billing

SPONSOR: Leighton Cumming, President

BACKGROUND INFORMATION:

During the 2007 Board/Finance Committee discussion of the 2008 budget, a provision was added requiring LMOA owners to pay dues in a single payment in January each year. Alternatively, owners could pay semi-annually or monthly for an added administrative fee. With the proposed dues increase this year, there is a concern that the timing of a single January payment of \$598 for dues plus \$150 for trash and snow removal will be difficult for some owners.

There are two opposing points of view on this issue. On the one hand, many are unwilling to forego the interest income received from deposits made early in the year when a single payment is required. Some are concerned about the impact on residents of a requirement for a large single payment immediately after the holidays, while others are concerned that the issue may cause votes against the dues increase.

The annual billing with fees for deferred billing was adopted by the BOD in 2007 for the 2008 budget. This practice was continued with the 2009 budget as adopted by the BOD.

Governing Documents:

- Bylaws, Article 8, Section 8.01 Dues – (a) ...Dues may be made payable at such intervals as the Board of Directors may from time to time determine.

(b) Any assessment not paid within 30 days from the date it is due and payable shall bear interest at the rate of 1-1/2% per month (an annual rate of 18%) until paid.

- Policy Manual Section 4.02M, Financial Management – Payment of Dues, Fees and Assessments – 1. Policy

In accordance with Article 8 of the Bylaws, the Board of Directors shall establish such membership dues, fees and assessments as it may deem necessary for the adequate performance of Association functions. The Board, from time to time, shall determine the intervals at which these dues, fees and assessments shall be payable.

It is the policy of the LMOA Board of Directors that property owners' dues be paid annually, due when billed.

Should a member fail to make payment of dues, fees, and assessments by the due date, the member shall be considered delinquent and dues, fees and

assessments for the ENTIRE calendar year shall be immediately due and payable.

Current Practice:

Annual dues are billed in December for the following year. They are due and payable on January 1 and delinquent on February 1 unless the owner opts for one of the following:

- 1) Semi-annual option – half due by January 31 and the second half due by July 31. The charge for this option is \$3.90 per month for a total of \$19.50 if the second half is paid on time. If the second half is not paid on time, the fee reverts to 1.5% per month (18% annually) until paid. An owner can pay the second half at ANY time prior to June 30 and reduce their bill by \$3.90 for each month it is paid off early. The fee discontinues in the month that the account is paid in full. For example, if the first half is paid in January and the second half is paid in February, only \$3.90 is ever billed to the account as a deferred payment fee.

In 2009 we have 819 members who opted for the semi-annual plan. (We started with 880 members on this plan with 61 of them paying the deferred amount early.)

- 2) Monthly option 1 - Pay monthly by automated withdrawal from a checking account. The fee for this is \$4.09 per month or a maximum of \$44.99 per year. Again, if the account is paid in full early, there are no further monthly charges.

In 2009 we have 417 members exercising this option.

- 3) Monthly option 2 – Mail in a monthly payment. The fee for this is \$6.50 per month or a maximum of \$71.50 per year. The same early payment conditions apply.

In 2009 we have 119 members exercising this option.

The delinquent finance charge if no option is selected is \$9.27 per month (on \$618.00) or \$111.24 per year.

STAFF RECOMMENDATION:

Staff recommends that the practice of billing annually remain in place with the same payment options. The Board will have to determine whether or not to charge an extra fee for the semi-annual payment plan.

Having the billing hit accounts 100% at the beginning of the year has many benefits:

- 1- The time spent on collection activities such as compliance and memorandums of lien is cut in half. When we split the bill and bill two times a year, we have to process compliance and liens after each billing delinquent date.
- 2- Property Transfers and requests for dues owed from closing companies/attorneys are simplified by having the entire annual obligation on the account. A new owner in the May/June/July time frame is not surprised by an unexpected new bill. Closing companies can easily calculate the pro rata share between buyer and seller and don't forget to add in the second half.
- 3- We don't have to check every amenity application twice a year for in good standing. 65% of owners are already paid in full for 2009.

- 4- We don't have a huge billing in the middle of the summer when we already have an increased workload due to the seasonal facilities and greater volume at our year long facilities.

PROPOSED FINANCIAL IMPACT:

If we remove the fee from the semi-annual option plan, we will lose about \$20,000 in income. Interest income gained by early payment is negligible at this time. However, cash flow is greatly improved.

If the semi-annual billing is free, it is likely that owners will revert to that payment plan whether or not they can afford to pay in full. A discount for owners who pay in December and a lesser discount for those who pay in January could be an option to think about.

A billing for 4,635 lots costs \$3,400 including postage, envelope, return envelope, statement and staff time. The staff billing printing, processing and mailing of 4,635 statements takes a week. One staff member can handle this as long as there are no extra stuffers.

PROPOSED SOURCE OF FUNDING: N/A

STRATEGIC PLAN REFERENCE:

4.1 Prudently manage the Association's finances and reserves.

POSSIBLE MOTION:

Move that the Board of Directors allow property owners to either pay in a single payment in January for dues and the fee for trash/snow removal or pay in two payments, one in January and one in June. Both payments would be made without an additional administrative fee. Other more frequent payment plans would continue to bear an administrative fee.

PERSON RESPONSIBLE FOR FOLLOW-UP: General Manager