

## **Board Statement in Support of Board Proposal to Increase Dues**

In 2008, revenue from property transfer fees, investment income, and amenity income declined significantly. Consequently, the LMOA Board of Directors approved a 2009 budget that reduced expenses, left vacant positions unfilled to reduce staffing costs, and deferred any discretionary spending. Further actions to reduce expenditures and losses may become necessary during 2009.

The population of our community has increased significantly over the last decade, but dues revenue has not changed to reflect that growth. Because of requirements of the primary documents that established Lake Monticello, dues must be charged the same on every lot, with or without a house. With the increase in population, the buildings, amenities, roads and other facilities have experienced far greater wear and tear than dues income will cover, and member services can no longer meet needs or expectations.

The Board is committed to keeping member dues at a responsible level, but without adequate revenue the Board cannot meet its obligations. As a community, we are falling further and further behind in the maintenance and repair of our common areas and facilities. We are currently not meeting our fiscal obligation to set aside adequate reserves for our amenities, facilities and roads. There is simply no longer enough income from dues to sustain, much less improve, our community.

The Emergency Reserve Account (ERA), the \$6.6 million received from the sale of the water service company, provides investment income. In the past, this income was spent to supplement operational costs and some required equipment purchases. Investment incomes are now significantly lower and remain unpredictable for the immediate future. We can no longer rely on **variable** investment income to help pay for our **constantly escalating** operational costs. Operational costs must be funded from dues income.

The ERA principal is a resource that could pay for major unforeseen emergency expenses, although any use of the ERA principal requires approval by a member vote. Without this emergency fund, large special assessments for emergencies would be necessary, causing a substantial hardship for many of our members. In future years the ERA might be used to secure external loans, or to provide a source for self-financing loans that could be paid back with additional dues increases.

The current dues of \$468 per year are insufficient to pay our operating costs and build adequate reserves. The \$468 is currently distributed as follows: \$393 goes to operations, \$49 to lake health, and \$26 to maintaining and building road reserves. To adequately fund operations, major repairs and replacements, and to begin building reserves we need an additional \$130 per year, starting in the year 2010. This increase would not provide for new or improved amenities.

The \$130 increase would be allocated in 2010 as follows: \$88 for operations, \$17 for the general reserve covering amenities, and \$25 for the road reserve. Note that \$60 of the \$88 would go to operations to replace investment income. The increase will eliminate dependence on variable investment income that could easily leave LMOA with insufficient funds to cover needs.

There likely will be further requests in future years for additional dues increases to cover increased costs and needed amenity and common area improvements. But for now, LMOA looks to members to provide the funds needed to make sure our community can continue in a manner that they may reasonably expect in the near future.

**The Board of Directors recommends that members vote for Proposal**