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## RESOLUTION PROPOSAL

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**DATE:** June 24, 2010

**SUBJECT:** First Reading Financial Management – Payment of Dues, Fees and Assessments

**SPONSOR:** Treas. Harrison

**BACKGROUND INFORMATION:**

If the members approve the dues increase as the member contribution to reserves, the dues payment will rise from \$598 to \$706. The Improved Property Fee (IPF) may rise from \$150 to \$167. The total member obligation in January 2011 will then be \$873. To aid our members in meeting their obligations to LMOA, it is proposed that LMOA begin billing on a semi-annual basis, including the payment of the Improved Property Fee. This would make the semi-annual billing of \$437 in January and \$436 in July. This will replace the current payment plans for semi-annual but monthly payment plans can continue with service and interest fees for 12 equal payments, but by billing and paying semi-annually, there will be no service or interest charges for the 837 residents that currently do semi-annual payments.

This change is consistent with Fluvanna County due date of property taxes (December and June) and LMOA payments in January and July.

In 2010, four categories of payments exist for 4,635 lots:

- 2,891 owners paid in full in January
- 837 owners elected for semi-annual billing
- 655 owners elected monthly payment plans
- 252 accounts have not committed to a plan although some are paying and 147 of these have prior-year balances

If semi-annual payments were approved, those that pay annually would shift to two billings so 3,728 owners would likely make semi-annual payments.

**STAFF RECOMMENDATION:** TBD

**PROPOSED FINANCIAL IMPACT:** The additional billing will cost approximately \$2,300 in postage, \$5,000 in additional staff work for the billing and a loss of income from investments.

To estimate this investment income loss, half of the annual payer's total is deferred to a second payment  $(2,891 \times \$703)/2 = \$1,016,187$ . Of this amount, it is estimated that \$73,359 would go to road reserves, \$156,114 would be available for MR&R reserves (1/2 of \$108), and \$24,574 would go to amenity reserves (1/2 of \$17). The lake reserve receives end of year contributions and most is expensed throughout the year so the Board of Directors would need to plan for a cash flow in the 2011 budget in the estimated amount of \$71,465.

## **TAB 15.4**

Deferred principal for investment would be the sum of roads, MR&R and Amenities, or \$254,007. The expected annual return is in the range of 3 to 5%, so for one-half year, the cost of lost investment opportunity would be in the range of \$3,811 to \$6,350.

The estimated cost and lost revenue of moving to semi-annual billing is between \$11,111 and \$13,650.

In formulating the budget, cash flow will need to be examined and some expenses will need to be deferred in their timing so as to match revenue.

**PROPOSED SOURCE OF FUNDING:** NA

**STRATEGIC PLAN REFERENCE:** NA

**POSSIBLE MOTION:**

First Reading

**PERSON RESPONSIBLE FOR FOLLOW-UP:** General Manager