

**UNDERSTANDING THE DUES INCREASE PROPOSAL  
TO BE PRESENTED FOR MEMBERSHIP VOTE ON OCTOBER 16  
(ALL-DAY VOTING BEGINNING AT 8:00 AM)**

The Colony Board of Directors recently completed an analysis of General Operating Fund finances. That study shows an **urgent** need for a significant dues increase of \$200 per member-household. Our last increase was in 2009 – 15 years ago. Our calculations are based on a five-year projection model.

	Current	New
Regular	\$ 425	\$ 625
Over 65	\$ 325	\$ 525
Low-Income Senior	\$ 200	\$ 200

*An installment payment option will be available in the first year of increase.*

**What Is The Urgent Need?**

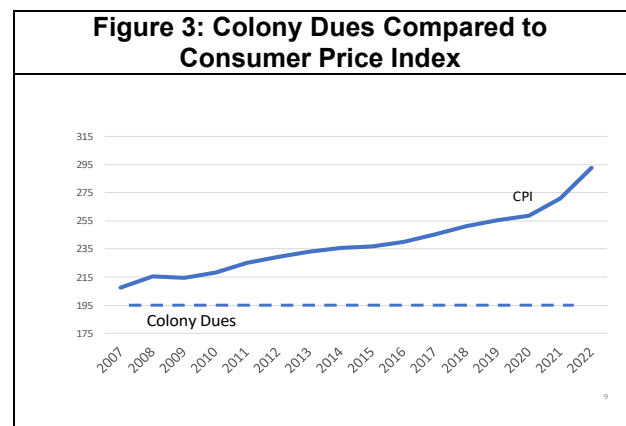
First and foremost, the Fund’s financial condition can only be described as dire. We are currently operating at an annual loss (2023 projected) in excess of (\$20,000). With no potential for increased revenue through member-growth and the certainty of increased expenditures from inflation alone, that annual loss will certainly grow. Our projections show that – without an increase – the Fund will be underwater sometime in the next two years and unable to pay its bills. Our only solution then would be to drastically cut services and change the nature of our club and the benefits of membership.

Year	Beginning Cash	Revenue	Expense	Ending Cash
2023	122,470	437,650	459,750	100,370
2024	100,370	440,910	490,707	50,573
2025	50,573	445,910	506,403	(9,920)
2026	(9,920)	450,910	522,507	(81,517)

With no dues increase since 2009, the Fund has survived fiscally by (1) depleting cash reserves,

(2) transferring selected operating costs to other internal entities, (3) deferring important maintenance and improvement projects, and (4) addressing major infrastructure needs with primary reliance on special assessments. We believe that these solutions are no longer viable or in our best interests.

Another way to appreciate our current situation is to compare our dues history with a commonly understood inflation factor. During the period that we enjoyed a 15-year dues freeze, cost-of-living as represented by the Consumer Price Index increased by over 40%.



**What Other Needs Will Be Addressed?**

The need to restore financial solvency in the Operating Fund is obviously paramount. An increase of **\$55 per member-household** will allow us to fund basic services – our *Core Budget* – at current levels for five years before we anticipate the need for another increase for this purpose. The Core Budget includes staff salaries, repairs, beach operation, insurance, lake maintenance, utilities and other day-to-day operating costs.

However, the Board has identified other needs, which are also addressed in the proposed increase.

*Ongoing Capital Improvements Budget:* We will establish a Capital Expenditures Fund similar in concept and operation to the current Lakes Restoration Fund and support it with a portion of the dues increase annually. The new fund will accumulate monies and disburse them for items identified in an ongoing five-year Capital Improvement Budget for things like the following: a replacement truck and tractor, dock renovations, pavilion restoration, and parking lot resurfacing among many other important and otherwise deferred projects. With our current revenue profile, we cannot address these needs, and without this new funding stream, our non-lake infrastructure will continue to deteriorate. This initiative requires **\$55 per member-household**.

*Major Projects Funding:* Our current method of paying for very large capital projects – those so expensive that they require long-term financing – is based on special assessments. Examples include the 2005 flood recovery, the 2013 Vaughan Hall restoration, and the 2020 Nokomis Forest purchase. These projects could not be absorbed in an operating budget, and sufficient reserves in a formalized Capital Expenditures Fund did not exist. We believe that with proper funding and long-term planning, we could minimize the Colony’s reliance on specifically-targeted special assessments for very large non-lake infrastructure projects to one that applies a portion of dues to liquidate long-term debt over time. This does not mean that the potential need for special assessments is eliminated. This plan does, however, allow for proactive planning. The proposed new funding stream translates to **\$55 per member household**. This technique, for example, could be used to finance a major

infrastructure project at the Brooks Recreation Complex (currently under consideration) should that project be approved.

**Figure 4: How Will the \$200 Increase Be Used?**

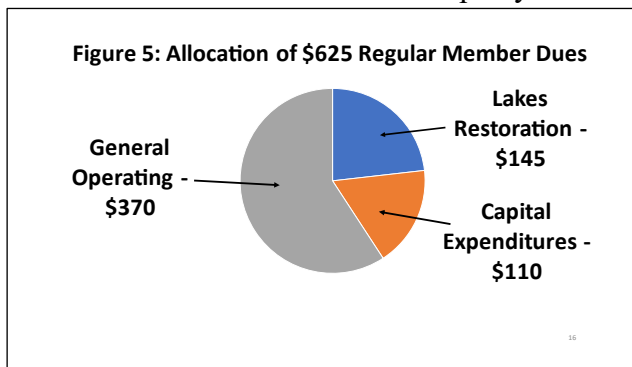
Restoring solvency to General Operating Budget	\$ 55
Schedule Capital Improvement Projects	55
Major Project Funding	55
Improved Lakes Maintenance	20
Transition Costs	15
Dues Increase Total	\$ 200

*Improved Lakes Maintenance:* The board has expressed strong interest in upgrading its annual lakes cleaning program, which is currently a line item in the general operating budget. This budget amount has been \$20K per year for many years. Our proposal increases that current budget level from \$20K annually to \$50K annually. This increase is the approximate new money equivalent of **\$20 per member household**.

*Transition Cost:* The Colony will face organizational challenges in the near future, certainly within the next five years. In addition to the extra expense associated with staff retirements including termination costs (e.g., accrued vacation payout), training period, and overlap, the Colony is coming to a reckoning with this fact: we struggle to operate effectively with reliance on volunteer administration and leadership. At least to begin a transition to a more effective and realistic governing model, we are proposing an annual funding stream of \$20K per year for a yet-to-be determined solution.

This translates to approximately **\$15 per member household**.

When combined with our existing dues revenue stream, membership fees would be distributed in accordance with the representation in Figure 5 for regular members.



The (existing) Lakes Restoration Fund would receive \$145, which is no change from the existing fee schedule. The (new) Capital Expenditures Fund would receive \$110 (\$55 for the capital improvement budget and \$55 for major project planning), and the balance would be available in the General Operating Budget.

### Why the Long Period Between Increases?

A common question after learning of the need for a \$200 increase is this: Why did we wait 15 years? Small and incremental raises are easier to “sell” and they impose less burden to members’ personal finances than large increases.

It would be easy to dismiss the question with another: “Why does it matter?” After all, we are in this difficult situation and what is important is navigating our way out of it.

But the question deserves an answer, which can be found in Figure 6, which shows a 30-year history of Colony dues with references to special assessments and other circumstances.

It had been our practice to increase dues about every five years or so between 1990 and 2000. When time came for an increase around 2005, the Colony was devastated by floods and recovery efforts required a special assessment. A decision was made to postpone the planned dues increase until 2009.

As the next cycle approached after 2009, a decision was made to restore Vaughan Hall, which was financed by a special assessment, and the Board postponed the increase again in deference to members’ personal finances. Then came the Nokomis Wood purchase, another special assessment, and another dues increase deferral.

As the board prepared to catch up with our dues structure around 2021, we found ourselves in the midst of the Pandemic and unprecedented financial uncertainty for all. The Board did not believe it reasonable to impose an increase then. As we came out of the Pandemic, we found it necessary to re-structure our camp dues, which nearly doubled. Again: not a time to increase member dues.

That brings us to 2024 when a major “catch-up” increase is required. Although this proposed increase is much higher than normal, it is

important to note that even with this increase, the 30-year average annual increase is only 2.4% per year.

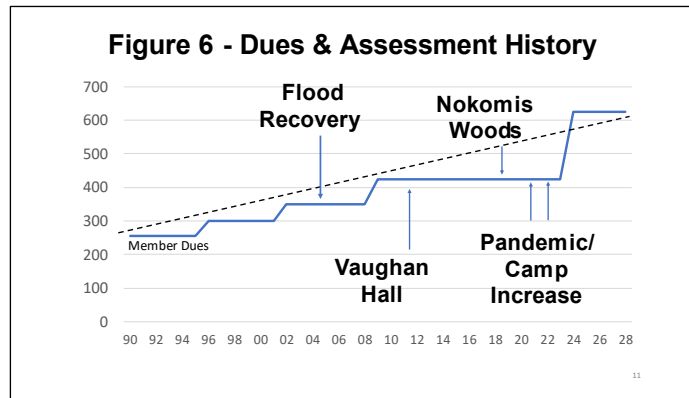
### In Summary

Simply stated, we need this increase for two reasons: (1) without it Medford Lakes Colony as we know it will be no

more and (2) with it we will move forward with a financial model that will generate significant short and long-term benefits. With your additional \$200 annual investment, here is your return:

1. Financial solvency and operating fund services at current levels. (\$55)
2. An ongoing capital improvement budget that will help restore building infrastructure and maintain equipment replacement schedules. (\$55)
3. A funding stream that will help us plan for very large projects. This device might not eliminate the need for future special assessments, but it will minimize our reliance on them and smooth out the “spikes” in the unexpected financial demands we place on our members.
4. A significantly improved lake maintenance program.
5. The ability to address our current governance model and over-reliance on volunteer administration in a meaningful way.

After reviewing this material, we believe that you will be able to give us your support with an affirmative vote on October 16. However, support or not, the Board encourages you to cast a ballot and make your views known.



**BOARD DUES INCREASE PROPOSAL PACKAGE - 2023**

**PROPOSED FEE SCHEDULE REVISIONS**

Active Member Classification	Current	Proposed
Regular	\$425	\$625
Over 65	\$325	\$525
Low Income Senior	\$200	\$200

*Included in the listed fees are: (1) \$145 for the Lakes Restoration Fund (no change) and \$110 for the Capital Expenditures Fund (new fund) for Regular and Over 65 members. The increase amount is due July 1 in the year of transition (2024)*

**PROPOSED BY-LAW CHANGES (All Relating to Dues Increase)  
Article VII – FEES AND ASSESSMENTS – SECTION 1**

Language	Explanation
(a) Lakes Restoration fees. Lakes Restoration fees shall be placed in a special account by THE COLONY and are restricted to pay expenses related to cleaning <u>and maintaining</u> the lakes <u>as defined in “Rules and Regulations of Medford Lakes Colony.”</u>	<b>NO CHANGE:</b> The language addition merely reflects a current practice and makes language consistent with similar by-law provisions.
<u>(b) Capital Expenditure Fees. Capital Expenditure fees shall be placed in a special account by THE COLONY and are restricted to pay for: (1) major equipment replacement, renovations, and improvements and (2) associated debt service, both as defined in “Rules and Regulations of Medford Lakes Colony.”</u>	<b>NEW PROVISION:</b> There will a <i>Capital Expenditures Fund</i> that follows the same model as the Lakes Restoration Fund.
<u>(c) <del>(b)</del> Annual Fees. Annual fees shall be placed in the general accounts of THE COLONY and used for the costs of ongoing maintenance, <del>replacement of property and equipment,</del> administration, and recreational and social activities. The amount of Annual Fees shall be established for each of the following classifications of Active members:</u>	<b>MINOR LANGUAGE CHANGE:</b> Removes financial responsibility for major non-lake infrastructure projects to the newly created Capital Expenditures Fund.
(1) Regular Active members include all Active members except those who may qualify under (2) and (3) following.	<b>NO CHANGE</b>
(2) Over 65 Active members are those who are over age 65 as of January 1st of each calendar year. In the event more than one person owns the property, one of the owners must be over 65 as of January 1st. Members must present verification of their eligibility to be Over 65 members to the COLONY’S office.	<b>NO CHANGE</b>
(3) <u>Low Income Senior <del>Citizen</del> members are those who are over age 65 as of January 1st of each calendar year and in addition receive a property tax reduction from the Borough of Medford Lakes because of their income level as certified by the New Jersey Department of Revenue. In the event more than one person owns the property, one of the owners must be over 65 as of January 1st. <del>Members must present verification of their eligibility to be Senior Citizen members to the COLONY’S office.</del></u>	<b>MINOR LANGUAGE CHANGE:</b> This language clarifies ongoing confusion over the two “over 65” categories.

Note: There will be other minor “housekeeping” changes required by this adoption. For example, where “Lakes Restoration and Annual Fees” are referenced (e.g., Article III, Section 3; Article III, Section 4(a); Article VII, Section 3), the phrase “Capital Expenditures Fund” must be added.