

2025 Proposed Dues Increase
Answers to Member Questions #1
As of September 20, 2024

In an effort to create a full understanding of our current financial challenges and an appreciation of our need for additional operating funds (with a member dues increase), we continue to encourage Colonists to submit questions, directed to office@mlcolony.org. If you are not aware of our current situation, and to give this document meaning, we encourage your review of these two short videos.

1. **MLC Insurance Update:** [Click Here](#)
2. **Dues Proposal Update:** [Click Here](#)

Here are answers to some of the questions and comments received to September 20, 2024, in response to those videos.

1. It is time to merge with a town. We cannot continue to support Colony operations through member dues increases, which could occur every year.

We received only one e-mail with this proposition, but we've heard it before in the context of dues discussions. We address it first, because it is at the heart of the matter. In the darkest days of the recent insurance crisis, we faced this potential circumstance. We called it the "nuclear option," where liability insurance would either be unavailable (because of our lakes and dams) or so expensive that our membership could not afford – or would not be willing – to fund Colony operations. We would be forced to dissolve and be "taken over" by the Borough. For the Colony Board, that was always the option of last resort and a "red line." At all times, our goal was – and is – to remain unchanged. We are a private recreational organization with facilities available only to dues paying members and want nothing different. With the financial projection assumptions we've used, we calculate that the ongoing privilege of staying the same will cost an additional \$100 per year per member-household, which raises dues to \$725 regular (and \$625 over 65).

2. Is this an assessment or a dues increase? If it is an increase, is it likely that there will be a similar increase every year into the foreseeable future?

This is a dues increase – not a one-time assessment. The new funding level generated by a \$100 across the board increase to the current dues structure is necessary to (1) replenish our depleted cash reserves and (2) to fund future operations. The future of our dues structure is totally dependent upon our operating costs over time. Assume that they will increase. At a minimum, it is reasonable to expect periodic cost-of-living adjustments. Although we've learned not to promise, it is very, very unlikely that we will require this level of new funding in the future.

3. Do we have good intel for assuming our insurance is going to continue to increase at a wildly high 25% per year? Or are we just trying to be conservative?

We received several variations of this question, and it represents a clear understanding of the two-year projection model that we used. The driving force in our overall cost increase comes from our insurance program. We applied an across-the-board increase of 25% for each of two

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years to that program, which includes the entire range of our risk profile: liability, auto, property, workers compensation, and a commercial package of other risks. Because insurance is such a significant part of our cost profile, that 25% assumption was a major driver. We arrived at that percentage after consulting with our insurance advisor and Colonists in the industry who have helped us make decisions throughout the summer. We were given a range of projected increases from 10% to 30%. We chose a number at the high end of that range (25%) in an abundance of caution. Our concern is that we don't currently have cash reserves to absorb a miss. If we projected at the lower end and the actual costs came in high, we would again be in a situation where we couldn't pay our insurance bill.

4. *If we are away on the date of the vote, will we have an opportunity to vote early?*

Driven mostly by precedent, we have no plans to allow for mail-in or early balloting. We will, however, attempt to make voting convenient and hope for a high turnout. Membership wide balloting will be conducted on October 28 beginning at 8:00 AM and concluding at 7:00 PM to allow for both before-work and after-work voting. There is one vote per household and only members in good standing are permitted to vote.

5. *Will there be an installment payment plan? It is a hardship for many members to pay a significant lump-sum after the holidays. (A quarterly payment plan was suggested.)*

There will be an installment option available to members for the reasons noted. Our proposal will include a by-law language change that will allow us to work on a range of future installment options. At least for 2024, there will be a two-payment plan, which will call for a final payment by June 30. As to quarterly options: Without a cash reserve (which we don't currently have) a quarterly plan would be difficult. Most of our expenses occur in June, July, and August and we must front-end load our collections so that we can pay our bills. When we restore our cash reserves, a quarterly option would be feasible.

6. *Is it possible for the board to have the authority to increase dues within a "cost-of-living" percentage, perhaps with an amount "not-to-exceed?"*

This is probably the most commonly asked question we receive during planning sessions on this topic. Frankly, it is the extreme difficulty of affecting periodic dues increases that created the need for recent "spikes." No board wants to go through the ordeal and tends to avoid it. We increased dues in 2024. Before that, we had not increased dues for 15 years! This is self-imposed madness. In fact, had we been increasing dues at a cost-of-living rate over those 15 years, our dues structure could have absorbed this recent hit. Is it possible for the Board to have that authority? Of course. But a by-laws change would be required.

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7. Is it possible to re-align or re-apportion current funding assigned to projected projects?

This question is presumably a reference to the current dues allocation formula. Using the current regular member dues rate (\$625) as an illustration, this is what happens to the payment.

Allocation of <u>Current</u> Dues (Regular Member)		
\$145	Goes to:	Lakes Restoration Fund
\$ 55	Goes to:	Capital Improvement Fund
\$ 55	Goes to:	Debt Service Fund
\$370	Goes to:	General Operations
\$625		

The set-aside funds are used to prevent sudden spending spikes from large project needs. The proposed dues increase and the new money it generates will go **entirely** to General Operations, which is where we currently have financial difficulties and project future deficits. There is no allocation change for any other fund – up or down. The funding stream would continue as is. The Lakes Restoration Fund is a long-standing financial entity. The Capital Improvement Fund and the Debt Service Fund were created in 2024 by overwhelming (70% to 30%) member vote. Eliminating or “de-funding” any of the “set-asides” funds would also require a member vote. The Board’s position is that the need for the “set-asides” has not changed, and their creation and existence reflect the membership’s strategic future vision. A change in that vision would require a membership vote to that effect.

Allocation of <u>NEW</u> Dues (Regular Member)		
\$145	Will go to:	Lakes Restoration Fund
\$ 55	Will go to:	Capital Improvement Fund
\$ 55	Will go to:	Debt Service Fund
\$470	Will go to:	General Operations
\$725		