

DECISION PAPER



Date: November 15, 2019

ISSUE:

The Board of Directors would like to discuss semi annual and quarterly payment plan options available for annual assessment payment by 6473 members.

BACKGROUND:

The 2020 invoice is mailing today 11/15 (as required by our governing documents) and as this memo is being written for the 11/23 Board meeting agenda topic. The invoice includes payment terms consistent with past 48 years, as well as, a prominently displayed 'payment plan options' contact information. A sample of the invoice is provided as **Attachment A**.

The association has an excellent, very low assessment delinquency rate of less than 0.5% of the 6,473 owners. As of October 31, 2019, there are 38 owners or 0.6% of the 6,473 owners that have not paid the 2019 Annual Assessment. By year-end the number will be approximately 30, with approximately half of those 30 delinquent for multiple years. Currently, there are 18 owners on a payment plan.

I understand there are few (less than 10 as I understand it) owner comments over the last year regarding some form of payment plan. Now, we currently offer a payment plan, as well as, payment by credit card (\$45 fee) or e-check (\$2 fee). Owners are invoiced in mid-November, and have until March 1st to pay, so 3.5 months to plan finances and make payment. Note the in bold text on the sample invoice.

Owners contacting us and setting up a payment plan avoids a Lien and Suspension of Amenity Privileges, however, does not avoid a Delinquency Fee or Finance Charges.

These payment plan owners are consistently higher maintenance for accounting, requiring reminders for payment, and that if payment is not made we will Lien and suspend amenity rights. We have on average ~20 owners that choose to pre-pay (most over monthly payments) the assessment in order stay ahead and spread the obligation.

While we are accommodating with owners whom request a payment plan, the incremental efforts are real. Payment plan owners are subject to 10% Delinquency Fee on amount outstanding as of March 1st, as well as finance charges 1%/month (12% annum).

Options the Board may consider at the November 23rd Board meeting include:

A) Make no changes for 2020 Annual Assessment, consider subject in July for 2021 cycle.

B) Waiving the delinquency fee (not finance charges) until June 30th, if balance as of March 1st is \$1000 or less. In other words, so long as pay at least half of the assessment (\$1065) there will be no delinquency fee.

- This would be for those customer calling Accounting to discuss payment plan options (as noticed on the Invoice in bold)

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- This would NOT be actively promoted to all 6473 owners

C) Notice members via TD News and Email, they have the following NEW Additional Payment Option:

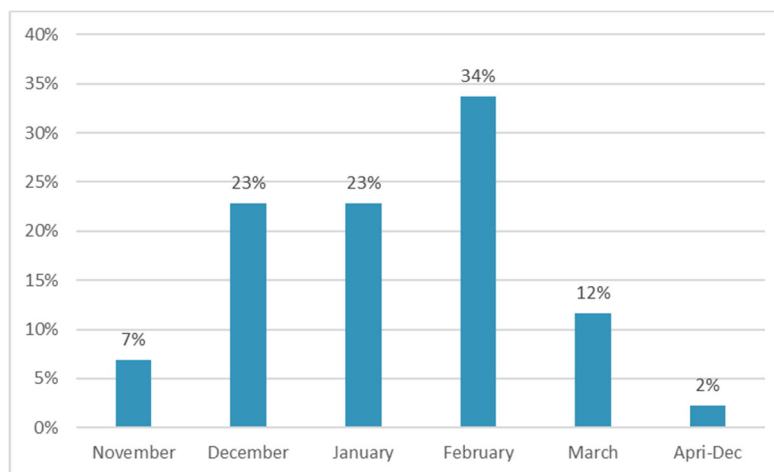
- o Pay \$1065 by March 1st, 2020
- o Pay \$1000 by June 30th, 2020
- Any balance as of March 2nd would be subject to Finance Charges, not Delinquency Fee.
- July 1st, 2020, any remaining balance subject to 10% Delinquency Fee and Finance Charges, and Lien and Lien Fee, and Amenity Rights Suspension.
- This puts final payment and suspension right at the peak period, when all the owners are up here to use the amenities.

We do not recommend either of these options, and there are certainly other options that could be considered. Moving to monthly, quarterly, semi-annual are options. Semi-annual would be the least impactful change, considering the logistics, investment income, and cash flow. Semi-annual example would be minimum 60% by March 1st, 40%/balance due by June 15th. A balance due later than June impacts our ability to collect based on power of suspension of amenity rights in peak summer.

There is one full time employee that spends the majority of the year handling the Annual Assessment. Creating any type of formal installment payment plan for 6,473 owners will likely generate a need for incremental resources.

Further, providing any type of formal installment payment plan to all owners, certainly the vast majority will partake in the opportunity. A delay of assessment cash funds impacts investment income. If half our assessment cash is delayed by six months, this equates to **lost investment income (that's in Budget) of \$100,000** at current ~1.5% investment yields.

Three year average for assessment payments spread by month:



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As for cash flow, as long as not in a drought situation, Q1 is approximately operating cash flow neutral. Thereafter, we turn net cash negative for the year.

I recommend we be very cautious in making any modifications that may degrade the Associations excellent delinquency rate.

OPTIONS:

1. Continue with current policies regarding annual assessment payments by members. Add item to Strategic Planning Guidance for 2021 Budget cycle as review discussion item; a discussion item at July 2020 Board meeting.
- 2.

RECOMMENDATION:

Management recommends the Board of Directors consider approving Option 1

Prepared By: Michael Salmon, Director of Finance and Accounting

Reviewed By:

General Manager Approval: _____ **Date:** _____