

STATEMENT ON ANNUAL DUES COLLECTION

2019-2020 KSECA Board of Directors

The 2019-2020 KSECA Board of Directors is seeking input from the membership in response to the question of HOW to best accomplish our shared mission of quality parks and an improved neighborhood. What would you, the members, like to see by way of improvements? A basketball court? A community shade house for crops? The return of a SPACE-like market hosted by KSECA? A pull-up bar? More raised beds with pretty and edible plants? Pathways to meander through? Organized work parties to make garden beds? Let us know your thoughts, we are excited for the future, and we are here to serve.

To help ensure that the association can accomplish its mission, the 2019-2020 KSECA Board of Directors is providing the following official statement, explanation and policy announcement to the membership, concerning the payment and collection of dues:

KSECA spent about \$1,600 in 2017, and \$1,700 in 2018 to mail out the annual letters with invoices for the current year's dues, and for unpaid balances from previous years. KSECA spent an additional \$3,398.63 in 2017, and \$3,101.25 in 2018, for a bookkeeper to keep track of the accounts. That is a total administrative overhead of \$5,000 in 2017, and \$4,800 in 2018, for dues collection.

The above dollar amounts do not include all the volunteer hours and effort that go into crafting the annual newsletter, stuffing the envelopes, mailing them, the time and effort it takes to buy the materials to do this task, skip-tracing addresses for any piece of mail that gets "returned-to-sender" i.e. KSECA, to be sent out again to the correctly updated address.

The above all volunteer effort is what KSECA has done, for years, to perform its own "collection effort", every year. And despite this collaborative effort that has been followed for many years, 234 out of 933 TMKs are OVER 3 years past on their dues! KSECA has already given "friendly reminders" to these folks – in some cases for many years.

In addition, KSECA has long held that dues must be paid. According to Board Best Practices and Board Rules, **the 2016 AGM agreed that, "the treasurer's report should include the amount of dues in arrears." And at the 2017 AGM, a motion passed to, "collect past dues owed on a lot that sells through transfer title." And the board decided in July, 2009, and April 2015 to, "address delinquent accounts." The board also decided in August 2015 to, "have the Standing ByLaw Committee develop procedures to address delinquent accounts."**

So the 2019-2020 Board of Directors finds that here we are, 1, 2, 3 and 10 years later, **finally** taking action on things that prior boards, and the membership at multiple AGMs, decided should be done. The Board of Directors notes that if all 933 lot owners paid their \$50/year dues, KSECA would receive \$46,650/year in dues. However, for the past 2 years or more, 234 lots haven't paid, **reducing the yearly income to \$34,950.**

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The Board of Directors further finds that the association's averaged expense total from the past three years is \$45,974.25/year.

The above demonstrates that if KSECA's only income was the \$50 annual dues, it would be losing \$11,024.25/year. Indeed, even taking into account total income, the Board finds that the association's financial situation has been getting worse due to failure to better address the non-payment of dues. For example, in 2018 alone, the association's **total** income was only \$2,681.22 above its **total** expenses, representing insufficient excess funds to complete vital projects - such as the new mailbox pavilion.

Fortunately, KSECA has other sources of income, such as transfer fees paid during escrow from a title company, late fees, mailbox and service fees. But, the Board also recognizes that it would be financially irresponsible to rely on these unpredictable sources of income, and that instead; KSECA must follow a careful budget, planned in advance, and based on reliable income, as well as careful spending with maximum efficiency and the lowest possible overhead.

The Board of Directors notes that under current already established processes, if KSECA received the full amount of \$46,650/year in dues payments by all members, it would spend on average 10.5% of that income just collecting those monies. But alarmingly, if we go off of what KSECA is actually currently receiving, i.e. 699 accounts paying for a total of \$34,950/year, the Board notes that KSECA is already spending 14.02% of its dues income on collection! This is unacceptable. We know that the association can do better, and so the 2019-2020 Board of Directors has made the commitment to bringing about positive changes and needed reforms.

The Board of Directors asks of the membership the following: If you're part of a large family, and a couple members aren't carrying their own weight, how might you, as a member of that family, motivate the others to take on more responsibility?

KSECA understands that it isn't necessarily pleasant to receive a bill in the mail, describing possibilities of liens and foreclosure. KSECA also knows what it is like to volunteer on the behalf of others and not always be appreciated. But as of this writing, the Board of Directors notes that 122 out of the 234 of our "family members" who are in arrears have mainland or foreign addresses. In addition, we note that 175 out of the 234 of our "family members" have apparently raw, unimproved land without a permitted structure on it. Thus, more than half the members who are not paying are not on-island, and three fourths of the non-paying members are not indicated to live in the neighborhood.

The official records of KSECA are clear that since at least 2005, dues have been assessed annually, and as mandatorily payable. The law is clear as well, with repeat legal opinions, going back in time, that consistently have concluded the same thing – the dues are an obligation that runs with the land, and so must be paid. The KSECA billings going back to 2005 have been recorded in KSECA's official accounting system, as monies owed, and for those who have not been paying, these are shown as legal

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debts owed and payable to the association, and the amount owed has been climbing year after year.

The association's official policies over the years have also been consistent that the dues are not voluntary, and these policies also reflect the following as the late fee assessments for non-payment:

2005-2010 - dues were \$25/year, the late fee was 100% of the dues amount (\$25);
2011-2013 - dues were \$50/year, the late fee was 50% of the dues amount (\$25);
2014-2017 - dues were \$50/year, the late fee was 10% of the dues amount (\$5);
2018-2019 - dues were \$50/year, the late fee was/is 10% of the unpaid balance owed.

The Board of Directors believes that we should all take pride in our parks and community! We find that the association needs both volunteer effort AND payment of the annual dues by our members to continue to improve and maintain our parks.

The 2019-2020 Board of Directors therefore finds that hiring a professional collector has become a necessity, and that fulfilling this necessity will allow for further improvement of our parks, and even better, it will finally bring the long non-paying members into the family, as active participants in the betterment of our shared neighborhood. In its process of choosing a collection service, the Board of Directors is actively researching all known and available options, and the Board is committed to giving every option that is presented to it full and fair consideration. The Board is further committed to making the choice that represents best value to the association, for the benefit of the entire membership.