



PRESIDENT'S REPORT SPRING 2009

Welcome back everyone. I hope this writing finds everyone healthy and happy to begin a new warm season after another brutally cold winter. Hopefully everyone has had an opportunity to read the Spring Newsletter and get caught up with all the relevant happenings at LECC. I won't bother to repeat all the good things our members have done this past year as highlighted in the Newsletter. Instead, I will focus primarily on the current and future financial condition of LECC.

But first, I feel compelled to say a few remarks regarding the pavilion. At last year's Annual Meeting, a motion was put forth and passed to build a pavilion at a cost not to exceed \$12,000. The discussion leading up to this motion was, unfortunately, just that, talk. There were no firm quotes procured or presented, no itemized budget or detailed projected costs, just talk. "If we can get people to volunteer labor"....,"if we can scrape together some materials"...., "if", "if", "if", then we might be able to build this thing for around \$12,000. The ill-conceived motion passed. As actual quotes were gathered and presented to the board in late fall, it became immediately obvious that the structure everyone was hoping for was going to cost in excess of \$24,000. To most board members, proceeding with the current plans would have been irresponsible and therefore unacceptable. However, it was decided to honor the wishes of the Membership and build the best pavilion possible with the dollars authorized. At no time were we under the illusion that everyone would be happy with this. The board realized that some Members were sold and expecting a palace, others might be pleased just to have something to sit under and have the project finally completed, and many other Members didn't want a pavilion at all. It is the hope of this board that everyone, at the very least, understands the circumstances and reasoning behind the decisions made and that future programs be better planned and presented.

Now, back to our finances. To no one's surprise, we have expended far more dollars over the past several years than we have taken in from Membership Dues and various Maintenance Fees. We've been able to sustain this deficit spending over the years because we enjoyed a large cash balance as a result of the sale of our club lots. At the end of March 2002 we had approximately \$237,000 in the bank. As of March 31, 2009 we had \$19,000.

We have many great things as a result of this spending, a modern and save playground, a club house that can be used year-round because of a new heating and cooling system along with insulated walls and new windows and flooring, a new boat ramp dock, up-dated caretaker's quarters, a new pavilion, a new culvert replacing the old, dilapidated, culverts, more usable land as a result of excavation near the march, new lawn maintenance equipment, etc., etc. Our annual deficits however, cannot be blamed solely on the costs of these major items. The other factor contributing to our annual shortfalls has been the constant eroding of our revenue sources. We no longer enjoy interest income from a large cash balance as we once did. By Membership vote, we no longer have rental income from the march and the caretaker's quarters. These three items alone totaled over \$10,000 annually that we no longer collect.

Also adding to our negative spending is the fact that basic expenses in any given year total far more than our current income. This is a trend that must be reversed.

To help get a better understanding of our current financial condition, we have prepared a budget to identify the specific revenue sources and basic, necessary, costs of managing LECC. Please keep in mind, that the attached budget does not include any non-essential or major project expenses. As you can see from this budget, representing the fiscal year of April 1, 2009 through March 31, 2010, we have a deficit of \$17,768. It takes roughly \$36,000 annually to maintain LECC. Unfortunately, we only collect approximately \$18,000 from our Members in the form of Membership Dues and various Maintenance Fees.

This budget represents our financial reality. I believe, that going forward, it is every board's responsibility to prepare and maintain a balanced budget for Membership's review and/or approval. It is also every board's function to continuously review individual expense items for possible cost reduction and control.

Having said this, I strongly encourage everyone to review, carefully, the enclosed Annual Meeting Agenda. In this Agenda, under New Business, is what I believe to be our single, best option for i) maintaining a small cash balance of approximately \$15,000 for emergencies; ii) equitably sharing the basic annual costs of LECC; iii) maintaining a balanced budget to allow this and future boards to continue to preserve the structure and beauty of LECC.

The Agenda proposes that we eliminate the current billing system that is inequitable, obsolete, and fails to meet our current financial requirements and replace it with a system that is easy to understand, fair, and compels a balanced budget every year. We first started discussing this at last year's Annual Meeting. Most agreed that maintenance costs for our road (Road Maintenance Fee) should be equally divided among each property and not based on the frontal footage of a road that we do not maintain. The same holds true for the Lighting Fee, every property benefits from and should bear the cost equally.

The board suggests that we scrap the current Road Maintenance and Lighting Fees format and calculations and create a 'General Maintenance Fee' to be derived from the annual budgeted or projected costs and divided equally among all LECC properties. The board is also recommending that we change the 'Land Rental North of Lakeside Dr.' fee to be calculated based on the property frontal footage as opposed to the current method of a flat \$2.00 Fee per property. We believe it is far more equitable for a Member who enjoys an 80 foot parcel across the street to pay more than the Member with a 40 foot tract. We also believe that the land on the north side of Lakeside Dr. is much more valuable than \$2.00, and are proposing a marginal increase for this.

Let's review how these proposed changes would affect everyone's Annual billing:

- The Membership Fee would remain at \$50.00 per property.
- The Road Maintenance Fee and Lighting Fee would be combined into one General Maintenance Fee and calculated as follows; Total Budgeted Expenses minus Membership

Fees minus Land Rental North of Lakeside Dr. divided among 110 properties. Example: \$36,000 - \$5,350 - \$1,250 = \$29,400 divided by 110 properties equals a General Maintenance Fee of approx. \$267.00 per property.

- Land Rental North of Lakeside Dr. is calculated based on property footage along Lakeside Dr. at a rate of \$0.25 per foot.

We understand that these changes represent an increase of approximately \$20 per month for most property owners, but, given our current expense level and the value of the community in which we live, these increases are not only necessary to sustain LECC, but, comparatively, still a bargain when match up to other places you might live.

To lessen the burden of these Fee increases, it has been suggested that Members be allowed to break-up their payment into two equal installments. The first installment due by May 31st, and the second due no later than October 31st. This is another motion put forth by the board for your consideration.

As previously mentioned, if these changes are approved, we and future boards will be able to maintain an emergency cash balance and put into practice a balanced budget for subsequent years. However, if passed, these changes will not take effect until our next fiscal year beginning April 1, 2010. Please recall, we have a current year deficit of \$17,000.00, that requires our immediate attention. It is the hope of this board that the Members approve a Special Assessment billing of \$160.00 per property to be sent out and collected later this Fall. This current deficit is larger than our current cash balance. It is imperative that we meet our current expenses, balance our budget, and reduce cost wherever possible.

Road maintenance costs, which falls under 'Repairs and Maintenance' on the financial statements and budget, represents almost 40% of our total expenses. Although we are receiving some level of push-back from the Town of Amherstburg on this, we continue to have discussions with them in an attempt to have the Town take over the ownership and maintenance of this road. This would have a significant effect on our budget and improve the quality of this road. A decrease of 40% of our expenses would equate to a 40 % decrease to everyone's Annual Billing. Although unlikely to happen in the short-run, we will keep everyone posted on the progress of these talks.

And now the good news, you've come to the end of the President's Report. These are serious proposals put forth in the Agenda that require your serious consideration and thought. The board is looking forward to seeing everyone at the Annual Meeting to be held at the Club House on Saturday, June 20, 2009 at 10 AM.

Jim Currier
President – Lake Erie Country Club