

What Fees Changed and Why Submitted by Eric Breisach, Treasurer

Quick Facts

- Fees now align with benefits received
- No cottage will pay for benefits received by another
- NO increase in total dollars collected from all leaseholders by the Association. *(Changes in how the Bear Creek Township real estate tax bill is allocated to leaseholds using the new valuations is the responsibility of the Board of Assessors and not the purview of the Association's Treasurer).*

Questions – Want to know more?

• **There's more to read**-visit the "Communications from the President, Treasurer and Executive Director" within the Member Documents section behind the member wall to find:

-Detailed recommendation memo (13 pages).

-PowerPoint slides presented to the BoT.

• **Attend a Zoom session with the Treasurer.** Eric will present details about the changes and answer questions posed by members attending the meeting. The sessions will be recorded and available behind the member wall if you cannot attend in real time:

-March 21 at 12 PM ET

-March 22 at 8 PM ET

JOIN ZOOM MEETING

<https://us02web.zoom.us/j/84392538168?pwd=RXN6VlJZTFVmZjN0dDd0K2Q1TE5hQT09>

Why we made changes

Other than the direct expenses of our programs, virtually all costs of operating Bay View, including REM, are paid for by leaseholding members through a variety of fees. The Finance Committee determined it imperative that these fees:

- (1) are directly related to the benefits received by each leasehold;
- (2) are easily understood by members; and
- (3) satisfy IRS requirements for 501(c)(3) non-profits.

Prior to 2023, some of these fees have varied widely by cottage without any relationship to the benefit received. For example, some cottages paid \$400 for REM services while others paid \$4,000, even though the benefit received by each cottage was essentially equal.

It is unfair to continue a fee system where one cottage pays for benefits received by another cottage. Under the new fee structure, the costs paid by each cottage will be in line with the benefit received by that cottage. This means that

the total of all the fees for some cottages will increase and others will decrease, but the total of all the fees for many leaseholders will remain about the same. While being sensitive that these changes can be somewhat disruptive, please remember that if your cottage's fees increase, that means that other cottages have been paying for years for the benefits received by your cottage. Throughout this article, we are talking only about fees that leaseholders pay for operating REM and the non-profit activities of the Association. Any changes in how the Bear Creek Township real estate tax bill is allocated to leaseholds using the new valuations is the responsibility of the Board of Assessors and not the purview of the Treasurer and are outside the scope of this article.

The changes DO NOT increase the total amount collected from leaseholders. This is not a way to collect more money in total. It only changes how much each cottage pays. If one cottage pays \$100 more, then other cottages, in total, will pay \$100 less. Our changes began with the December REM billing and, with the exception of water/sewer billings, will conclude with the Association's March billing.

New Structure

• **Fixed Fees - All cottages will pay the same amount** (the benefit received is the same for each cottage)

-**Services to Cottage Fee**-The cost of services REM provides to cottages.

-**Chautauqua Fee**-The cost of running the Association's non-profit activities.

-**Capital Reserve Fees**-Funding of capital costs

• **Capital Reserve Fee** (formerly called the Cap-X Fee, the annual \$500 amount will remain unchanged)

• **Ready-to-Serve Fee** will remain \$240 and will be included on the new water/sewer bills.

• **Variable Fees-Cottages will pay different amounts**

-**Lot Rent**-an annual lot rent payment for the benefit of using the lot computed as half of one percent of the value of the lot (this is different than the "lot rent" formerly paid to REM).

-**Water/Sewer Usage**-an amount based on actual water/sewer usage.

What Fees Changed and Why Submitted by Eric Breisach, Treasurer (continued)

What Changed

•**REM Fees.** REM provides many services for the benefit of cottages. Put another way, think of all of the costs we would not incur if we only had the central campus and woods-no cottages, no roads serving cottages, no Post Office, etc. REM is funded exclusively through fees.

-**Old-“Lot Rent.”** REM’s costs were allocated to cottages based on the relative value of the lots associated with each cottage. This fee bore no relation to the benefit received by each cottage and it had nothing to do with “lot rent.”

-**New “Services to Cottages”** We now divide these costs equally among all cottages.

•**Lot Rent.** As explained later in this article, we are required to charge a separate amount for lot rent. After extensive consideration, the value of the cash rent to be paid is computed at half of one percent of lot value. If you have a lot with a value of \$50,000, the annual lot rent will be \$250.

•**Chautauqua Fee.** This fee remains the same in concept except that the total dollars we needed to collect from the fee are reduced by the total dollars collected through Lot Rent.

•**Water/Sewer Usage Fee.** Cottages will be billed for water and sewer costs based on actual usage. We are still working on the details and frequency of those billings. Usage will be metered beginning when cottages open this spring.



The following table BELOW provides an overview of the fee structures and how they are changing beginning with the fiscal year 2023 charges.

WHAT THE FEE PAYS FOR	OLD FEE STRUCTURE	NEW FEE STRUCTURE
Water/Sewer Usage REM costs	Included in REM “Lot Rent” “Lot Rent” <ul style="list-style-type: none"> Not economic lot rent Total REM costs allocated by relative lot value (old values) 	Usage Fee on Water/Sewer Bill “Services to Cottage Fee” <ul style="list-style-type: none"> Equal charge per cottage (\$1,255 per cottage)
Chautauqua Admin. Budget (non-profit operations)	“Chautauqua Fee” <ul style="list-style-type: none"> Equal charge per cottage (\$2,700 per cottage) 	“Lot Rent” <ul style="list-style-type: none"> Economic lot rent Payable to BVA 0.5% of lot value (new values) “Chautauqua Fee” <ul style="list-style-type: none"> Equal charge per cottage Total Chautauqua Admin budget minus total lot rent divided by number of cottages (\$2,150 per cottage est.)
Capital Reserve Fees – Water/Sewer	“Ready to Serve Fee” <ul style="list-style-type: none"> Equal amount per cottage (\$240) Billed by annually 	“Water/Sewer Capital Reserve Fee” <ul style="list-style-type: none"> Equal amount per cottage (\$240) Billed with water/sewer bills
Capital Reserve Fees – General	“Cap-X Fee” an equal amount per cottage (\$500)	“Capital Reserve Fee” an equal amount per cottage (\$500)

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What Fees Changed and Why Submitted by Eric Breisach, Treasurer (continued)

Why We Must Charge Lot Rent

As a 501(c)(3) non-profit, IRS rules prohibit the free use of any Association assets for the benefit of those close to the Association, including its members. Each leaseholding member leases one or more lots and must pay fair market rent to avoid an "inurement." If the IRS were to determine that private inurement was taking place, the Association and/or leaseholding members could face fines and the Association could lose its tax-exempt status.

Given that about 85% of the costs of running the non-profit portion of the Association are paid through various leaseholding member fees, it is hard to imagine that any leaseholding member is receiving an uncompensated benefit, but our outside legal counsel and auditors have advised that we **must** charge an amount for lot rent that is based on the value of each lot. Because the downside of being wrong is significant, we are erring on the side of caution and will break out a separate amount as lot rent.

After extensive consideration of many factors (see the memo behind the member wall for more details), the Finance Committee recommended charging lot rent in the amount of one half of one percent of lot value. Given that almost 40% of the lots have a value of \$50,000 or less, for many cottages, this is a relatively small dollar amount.

Business Permit Fee

The fee restructuring has resulted in a dramatic decrease in amounts paid by each of the inns that operate on Association grounds. For example, one inn paid 5.5 Chautauqua Fees and the other 9. Going forward, each will pay

only one but each will also pay a Business Permit Fee for the right to conduct business activity on Association grounds. By-Law 57 provides that establishment of this fee and the amounts charged are within the sole discretion of the Board of Trustees. The fees will be set so that the total costs paid by the inns is not increased, but also not materially decreased. This is important because every dollar not paid by the inns would have to be picked up by all leaseholding members.

Total Change in Per Cottage Costs

It is difficult to generalize the impact on the total cost of any particular cottage because the change is based on two factors, one which is predictable and another which is highly variable. The predictable change is from changing the allocation of REM costs from being based on lot value to a uniform amount per cottage and then shifting a portion of the Chautauqua Fee from being uniform per cottage amount to being based on lot value. The REM costs totaled about one percent of lot value and the new Lot Rent is based on half a percent of lot value. The net effect is that we moved half a percent of lot value from being allocated on the value of a lot to being charged on an equal basis to each cottage. But it's not that simple.

The lot values used to allocate the REM costs were developed about a dozen years ago and, quite frankly, had numerous anomalies that could not be explained. For example, we might have two adjacent lots that would appear to be identical, but one was assigned a value twice or more of the other. In conjunction with the reappraisal work undertaken by the Board of Assessors, our professional contract assessor has developed new lot values that eliminate all of those anomalies. We will use those values. Thus, the fact that we

have only shifted a relatively small percentage of the fees to being value-based, if the value for the lot(s) associated with the cottage changed significantly, the impact of the change in fee structure could swing significantly in either direction.

More Information is Available on the Website

The Finance Committee undertook extensive evaluation and consideration of how to ensure we had a fee structure that best achieved each of the three goals listed at the beginning of this article. For those who want to dive more deeply into the considerations behind the changes, we have included the 13-page single-spaced summary memo—yes, that is the summary—behind the member wall under the "Communications from the President, Treasurer and Executive Director" within the Member Documents section.



Inclusive Review of Program Funding Submitted by Eric Breisach, Treasurer

Quick Facts

- Sustainable funding is critical to vibrant programs and activities
- Funding sources impact programs and all leaseholders
- Each program, adjunct and activity must be treated consistently
- We need a common understanding of funding
- Review will include community-wide participation and input
- Going into this, NO AGENDA to change anything

Misunderstandings about how programs, adjuncts and activities in Bay View are funded and questions about whether any changes will occur and whether any inconsistent treatment has occurred have single-handedly fueled the Bay View Rumor Mill for more than two years. We are going to channel that energy into a community-wide project to examine key funding decision points. *To be clear, this effort is not designed to necessarily change any aspect of costs attributed to or paid by programs, adjuncts or activities. Rather, it is to ensure that we have clear articulation of how costs are treated and that treatments are consistent across all similarly situated programs, adjuncts and activities.*

The Finance Committee will lead this effort and obtain input from the affected programs, adjuncts and activities as well as the general leaseholding membership prior to finalizing any recommendations to the Board of Trustees.

Decision Points:

1. Point of delineation between direct and indirect costs. Programs, adjuncts and activities have historically covered their “direct costs.” These are

the costs that appear in budgets. However, there are direct costs for activities that do not appear in budgets. This includes the cost of staff set up/take down, cost of AV personnel, etc. We plan to create an accounting procedure to identify a bright line between direct and indirect costs that is clearly identifiable and understandable. This does not necessarily mean that the delineation between the two will change, rather that it will be agreed to after input from all stakeholders.

2. Contribution towards indirect costs, also known as shared support services. No program, adjunct or activity currently contributes to the cost of support services that are provided by the Association and funded 85% by members through member dues, the Chautauqua Fee and Lot Rent. While it is not realistic that all or even a significant portion of these costs will be covered by the programs, adjuncts or activities, we need to determine if there is a way that some can be covered. If so, we need to develop a methodology to compute that amount and determine if any changes would need to be phased in over time. Any contribution would help hold down the cost of the Chautauqua Fee. Importantly, this is not an attempt to allocate and push the full amount of any shared support service costs up into hard costs in any program, adjunct or activity budget.

3. Contribution to capital reserve funding. Prior to 2020, all programs contributed to capital reserves by paying an amount equal to their annual depreciation expense. Much of the depreciation expense resulted from amortizing the cost of improvements funded by the Heart of Bay View Campaign. Those amounts were becoming fully depreciated after 2019 and we were transitioning to charging “rent.”

When the pandemic hit, and given that programming essentially shut down, we waived rent payments for 2020 and 2021. Due to uncertainty in program engage-

ment levels in 2022 as we emerged from the pandemic, no program budget could afford rent. Because our capital reserve plan developed in 2019 relied on programmatic contributions to fund capital needs, including major maintenance expenses, we can't continue foregoing contributions. We need to develop an equitable way to compute the amount of such contributions for all who use Association facilities and resume contributions.

4. Attribution of surpluses and covering deficits. Taking into consideration how items 2 and 3, above, are handled, we need to establish a business rule as to what happens to any annual surpluses (e.g., are they fully under the control of the entity that generated it or does some or all transfer to the Chautauqua Administration Budget?). Similarly, what happens when a deficit is incurred (these have typically been offset by funds from the Chautauqua Administration Budget and paid for by members). These decision points are complex and we need to develop the optimal solution for the programs, adjuncts and activities as well as the Association as a whole.

The Process is as Important as the Outcome:

The Board approved a process designed to facilitate robust discussion and recommendation development and obtain meaningful participation and input from affected stakeholders as well as the membership at large. This process will result not only in effective communication to members, but will provide meaningful opportunities for input by stakeholders and members at large before any decisions are made and to be part of the process. The process will follow five sequential stages.

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Inclusive Review of Program Funding Submitted by Eric Breisach, Treasurer (continued)

1. Finance Committee development of options.

The Finance Committee will study each decision point and develop one or more potential options. These options will be used to facilitate discussions with stakeholders and leaseholding membership.

2. Meet with affected committees.

Members of the Finance Committee would attend one or more meetings of each program committee, adjunct committee (those with a stand-alone budget) and activities (those with a stand-alone budget) and present the options and receive input from the committees.

3. Finance Committee will create revised options based on input from stakeholders.

These revised options would be published to the community through *The Town Crier*, via email blasts and other effective methods of communication.

4. Hold a town hall meeting to receive member input.

Either as part of the scheduled town hall meeting, or in a separate meeting, the Finance Committee would present potential options to members for input to be taken into consideration before any final recommendations are made to the Board.

5. Develop recommendations to the Board of Trustees.

These recommendations would address not only the decision points listed above, but also the timing of implementation (e.g., phasing in changes over a period of one or more years).

While we hoped we could accomplish all of this in one year, it will likely take two with any changes being implemented in the 2025 budgets. Getting this right with buy-in from all stakeholders is more important than rushing to meet artificial deadlines.

Historic Awareness Committee Submitted by Christine Parker

EHT|||TRACERIES HISTORIC PRESERVATION

Last summer, the speaker at the annual Historic Awareness program was Emily Eig, founder and principal of the firm **Traceries**, in Washington, DC. Her PowerPoint presentation was entitled: "Protecting the Historic Integrity of Bay View, Michigan."

Informative and helpful, it focused on the tools that historic districts such as Nantucket, Holland Hills in Alexandria, VA, and the Chautauqua Institution use to preserve their historic architecture and cultural landscapes.

A major preservation vehicle for these communities is the use of illustrated architectural guidelines, an idea that caught the attention of many in Bay View and generated much discussion. Bay View is an important National Landmark; the largest in the country. Upgrading and clarifying the means by which we preserve this legacy is important.

Traceries has now been retained by the Bay View Association to provide our community with two important tools: **a book of illustrated architectural guidelines** based on relevant sections of the Green Book and a **dynamic database of the architectural features** of every Bay View structure that can be accessed from the field. The database will make it possible to compare architectural features across the community, group together similar architectural styles within Bay View, and provide street views that can help in assessing scale when evaluating infill and additions to cottages, among other things.

A team from Traceries is scheduled to visit Bay View during the summer to collect and organize this information. Their work will undoubtedly generate much interest from the community and represents an educational opportunity for us all. As a result, Mrs. Eig will speak at the Historic Awareness Committee's 2023 annual program to update us all on the content and progress of this important endeavor.

**The date of Mrs. Eig's visit is Monday, July 17
at 7:30 p.m. in Evelyn Hall. Come early to find a good seat!**

