

OCTOBER 2018 FINAL REPORT OF THE MARLEY PARK TRANSITION COMMITTEE

MEMBERS:

The committee was made up of Marley Park residents Donna Bronski (Chair), Lance Miyatovich (Vice Chair), Mark McCall (Secretary), Jacob Abramson, Bill Adams, Matt Keating, Robin McDaniel, Neal Nassano, and Karen Smith; every resident who applied was chosen to serve on the committee. Varying MPCA staff members attended including Rebecca Zieber, Tabatha Long, Catherine Pruszinski, Todd Hornback, Chad Reed, and Rhiannon Mielt.

BACKGROUND:

The Transition Committee, formed in May 2018, was intended to guide the founder, board, owners and community management staff through the MPCA transition from founder to owner control. This included preparing owners to take control of the board, encouraging open communication among all parties to anticipate and resolve maintenance and operation issues, promoting community-wide participation and education, and advancing the vision of our community.

The Committee members reviewed the MPCA governance documents including the Community Charter and the Bylaws, and the 2018 budget (as well as projections for 2019). We reviewed the 2018 MPCA contract with DMB Community Life and the 2018 preliminary Reserve Study. All meetings were listed on the Community Calendar at marleypark.com, and the meeting dates and information was posted on the Marley Park Matters Facebook page. All residents were invited to attend. Please feel free to review the committee's agendas and minutes (and view the educational presentations) at <https://marleypark.com/residents/my-community/governance/committees/>.

After much discussion the Transition Committee has arrived at five recommendations they feel the new MPCA Board should seriously consider.

COMMITTEE RECOMMENDATIONS:

1. The Board should renew the DMB Community Life contract through 2019.

In the interest of continuity and stability, the Committee feels it is important to maintain experienced staff to help the community transition to resident control. Several new Board members will be joining the Board and all five Board members will be forging new relationships and building a new governance framework for the community. The twenty years of experience DMB Community Life offers will be a critical resource during this period of change.

2. The MPCA Board should establish a Strategic Planning Committee.

The Committee believes that a Strategic Planning Committee, made up of residents, would provide critical guidance for the Board. In addition to helping prioritize community wants and needs, it would also provide an avenue for resident input. It will also assist in developing short and long-range plans for the community. The Committee can also act as a means of defining and promoting the vision of Marley Park as it changes and grows. This committee should meet in the spring to provide timely input in the annual budget process which begins in the summer.

The Transition Committee recommends that the MPCA Board establish a Budget & Finance Committee.

The Committee believes that the establishment of a Budget & Finance Committee, made up of residents, is an important component in maintaining the community's financial health. A Budget & Finance Committee will provide additional resident oversight, transparency, and education as well as providing recommendations regarding annual budget priorities.

3. The MPCA Board should increase the frequency of Board meetings.

The Committee feels that additional Board meetings will be necessary in 2019 to handle both the "normal" Board business as well as the extra challenges that will result as we transition to resident management of the community. More frequent meetings will also assist in the education of the new Board, provide an opportunity for increased resident education and input, and allow the Board to provide timely feedback to the MPCA staff. The Committee also felt that increasing Board meeting frequency would provide an opportunity for more resident involvement and increase the transparency of the workings and decisions of the Board.

4. The MPCA Board should begin making a monthly contribution to the Reserve Fund.

The Transition Committee is extremely concerned about the current level of the community's Reserve Fund. **Currently, the MPCA reserve balances are under 30% funded.* This means our Reserve Fund is classified as WEAK (between 0% and 30% funded) and the probability of a Special Assessment for homeowners is currently high (at 26% to 53%).** Building our Reserve Fund to at least 70% funded (which would be classified as STRONG) should be accomplished as soon as practicable.

A well funded Reserve Fund is essential to the financial health of the MPCA. A well funded Reserve Fund makes a community more attractive to buyers. A single Special Assessment can cause a community's home values to plummet.

The preliminary 2018 Reserve Study presented to the Transition Committee recommended that the MPCA begin making automatic monthly transfers to the Reserve Fund in the amount of \$19.79 from each member's assessment payment. (Currently,

any monies left in the MPCA annual budget are transferred to the Reserve Fund at the end of the year.) Should the recommended amount be transferred monthly the 2018 preliminary Reserve Study projects the MPCA Reserve Fund to be 26% funded at the end of 2019. This does not provide enough funding certainty for emergencies and planned replacements.

CONCLUSION: The Transition Committee wants to ensure that the things that make Marley Park great continue as we transition into Resident control, and beyond. We need to establish procedures and relationships to address the current challenges and to sustain the vision upon which we were built, and move into the next phase of our community. With the help of our strong management team and the commitment of our residents, we believe we can continue the traditions of Marley Park into the future.

* "Percentage funded" is used as a measure of the "financial health" of a homeowners or community association; the closer it is to being fully (100%) funded, the healthier the association is financially. Percentage funded is the ratio of current cash reserves divided by the fully funded value at any instant in time. Fully funded is defined as the future value, multiplied by the number of years used, divided by the expected life for the sum of all reserve items. In essence, fully funded is simply the total of the average net present value of the association improvements. **Percent funded is then, the current reserve balance divided by the fully funded value multiplied by 100 (to give a percentage).**