

WHAT'S THE FINANCIAL PLAN? **(PROPOSED RENOVATION AND EXPANSION OF THE AQUATICS & FITNESS CENTER)**

For the last several months, the Finance & Budget Committee – at the request of the Board of Directors – has been working hard to develop a financial plan for the proposed renovation and expansion of our Aquatics & Fitness Center (AFC). The Committee studied many potential funding sources to determine which would be most appropriate, including: self-financing from Association reserves, commercial borrowing, an internal bond, increased dues or a special assessment. They concluded:

- Self-financing would result in insufficient levels of reserve funding for asset repair and replacement, essential capital expenditures and/or contingencies.
- It is unlikely that the Association would be able to obtain a commercial loan with a fixed rate of interest for the life of the loan. Further, we would be required to encumber the value of some of our facilities as collateral.
- There would be considerable administrative time and legal costs associated with issuance of an internal bond. Further, we would have to generate significant funds to pay interest on the bond.
- Dues increases are voted upon by the Board of Directors. Increasing dues by the maximum amount allowable for one year (15%) would not generate sufficient funds for the proposed project. Dues would have to be raised for several years and it would be inappropriate for the current Board to commit future Boards.
- A special assessment – subject to approval by a majority vote of Association members – was thought to be the most prudent option for both the Association and its members, as it would preserve Association assets while offering residents the opportunity to spread their payments over time if they wished.

The Board of Directors established a budget goal of \$2.5 million for the proposed project. This is the amount that would be covered by a one-time special assessment of not more than \$1,000 per residential lot. (The amount of the assessment could be reduced by voluntary fundraising efforts.) The Board recognizes that in any renovation or construction project there is always the possibility of unforeseen expenses and is prepared to fund these, if necessary, without increasing the amount of the assessment to homeowners.

The AFC financing plan proposed to the Board by the Finance & Budget Committee – and approved in concept – is as follows:

- The one-time assessment will not exceed \$1,000 per residential lot. Property owners not wishing to pay the assessment in a lump sum may elect to use a payment plan, making six (6) annual payments of \$195. (The \$195 will be reduced if the assessment is less than \$1,000.)
- Those electing the payment plan will pay \$170 in interest, or approximately 6%. Interest is included in each annual payment of \$195. Any homeowner who has elected the payment plan would have the option of paying the remaining balance at any time within those six years, thereby avoiding any further interest charges.
- If the community votes to approve the AFC project in March 2012, payment of the assessment – in either a lump sum or first installment payment – will be due by the end of the Association's fiscal year, June 30, 2012.
- Any unpaid assessment will be collected when a property changes ownership. (This is a requirement before title can be issued.) Whether the unpaid balance is paid by the buyer or seller is subject to negotiation between them.

**WHAT ABOUT INCREASED UTILITIES, MAINTENANCE, AND PERSONNEL COSTS
FOR THE PROPOSED AFC?
WHAT ABOUT MY PROPERTY TAXES?**

These questions have been asked of Board members and in focus groups and surveys conducted by the Communications Committee. The following is what is known at present:

- Utility costs have been discussed with the architectural firm (BWS) providing the conceptual design. The Board has been clear that energy conservation and sustainable materials are to be incorporated into the design. All of the professionals at BWS are LEED (Leadership in Energy Efficient Design) certified, and the Board has been told that ensuring the project meets basic and silver level LEED certification can be accomplished without adding significant expense. Local experience with LEED practices indicates that it may be possible to increase square footage while actually reducing utility costs.
- The Board and AFC Committee believe that maintenance will be reduced in the short term because of new construction, an updated facility and new equipment. The use of sustainable materials may well reduce maintenance expenses in the long term.
- No additional personnel will be required. The monitor will be able to view the pool and fitness areas through closed circuit screens. Membership cards distributed this year are smart cards and will be scanned for access to the pool and fitness areas.
- Property tax increases, if any, should be very minimal. The value of our common areas and facilities are included in the assessed values of our 2,488 homes. However, the value of the proposed AFC will be a very small percentage of the total value of our common assets.

THE UPDATED DESIGN

BWS has received more refined design criteria from the AFC Committee, as well as additional input from resident surveys and focus groups. They have incorporated this information into a draft design and will present it at an open meeting in the Social Hall Auditorium on Thursday, November 3 at 2:30 p.m. The draft will continue to be refined until presentation of the final concept, no later than January 1, 2012.