

EastBluff #4 Town Hall: Special Assessment Review and Recap

May 27, 2021

Executive Summary

I. Project Costs:

- Reserve Study was completed, and projects have been costed and phased
- Project costs have not changed since the February 22, 2021 Town Hall presentation

II. Deferred maintenance remains critical and must be addressed

III. Long Term Plan: More urgent projects will take an estimated 5 years and returning EB4 to financial stability will take up to 10 years

IV. Financial Shortfall: **A significant financial shortfall exists and we must now fund it**

V. Funding Options: Board had reviewed three options before arriving at its recommendation

- **Special Assessment Program option is the least expensive and the “Do Nothing” Scenario is the most expensive and uncertain**

VI. Next steps:

- Owners Vote on the Board recommended Special Assessment Program
- If Owners approve Board’s recommendation for a Special Assessment, Owners will be polled to determine payment preferences
- Based on owner payment preferences, project phasing may be adjusted

How Did We Get Here? (See June 2020 Board Presentation for Details)

- ❖ **Aging Infrastructure:** EB4 is a 35 year old community with aging infrastructure
- ❖ **Over the Past Decade, Regular Assessments Have Not Kept Pace with Expenditures**
- ❖ **Unexpected Project Costs & Repairs Since Fiscal 2018 Have Depleted Reserves**
- ❖ **Previous Financial, Operating and Project Management practices have contributed to our funding shortfalls**

Reserve Study and Project Plan

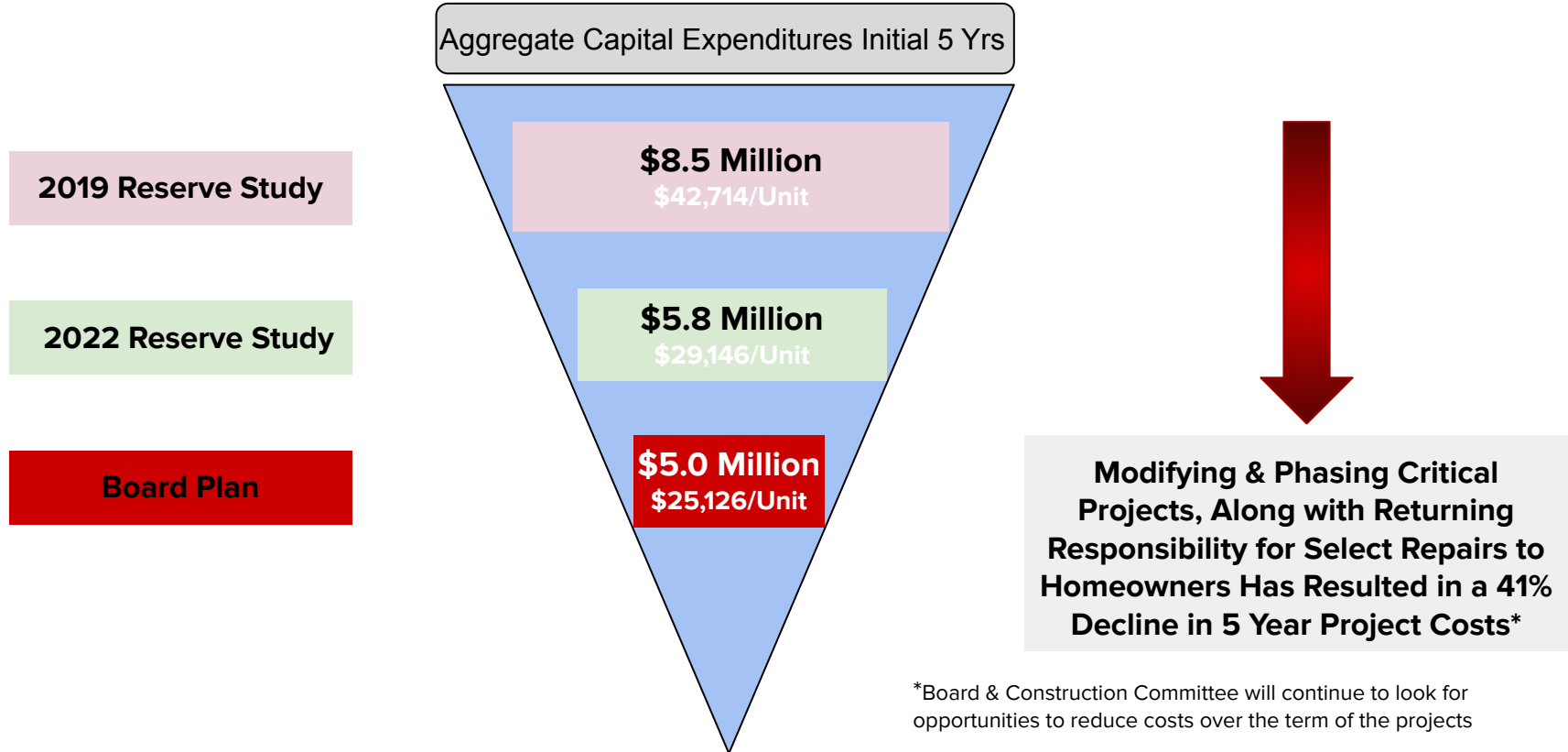
Updated Reserve Study Confirms Need to Address Infrastructure in Next 5 Years

Projects	2022 Current Estimated Replacement Cost	2019 Current Estimated Replacement Cost
Asphalt & Concrete	\$707,512	\$345,750
Buildings: Balconies, Landings, Doors, Weep Screeds, Pony Walls, Stucco, etc	4,532,627	5,055,452
Electrical/Lights	187,878	172,878
Fences, Gates, Rails, Walls	423,586	429,820
Irrigation & Landscape	902,000	1,217,450
Paint & Waterproofing	1,199,267	814,447
Pools & Related	381,411	287,858
Utilities	673,000	1,826,000
Termite Control & Other	536,539	325,291
Total	\$9,543,820	\$10,474,946
<i>Aggregate Capital Expenditures Initial 5 Years</i>	\$5.8 million (61%)	\$8.5 million (81%)

Projects w/
Replacement Costs
of \$2.7 million or
28% of Total Cost
Have **Remaining
Useful Lives of 1
Year or Less**

Projects w/
Replacement Costs
of \$5.5 million or
58% of Total Cost
Have **Remaining
Useful Lives of 5
Years or Less**

Reduced Capital Expenditures During Initial Years Will Reduce the Need for Special and/or Regular Assessment Increases



Project Costs and Phasing--Includes 2% annual inflation & 6% Contingency.

Projects	2022	2023	2024	2025	2026	2027	2028	2029	2027	2031	10 Yr Total
Total Asphalt & Concrete	45,000	77,250	59,676	128,659	114,186	100,800	170,478	4,711	14,543	-	715,303
Total Building - Balconies & Landings	-	159,687	-	-	-	-	-	-	-	-	159,687
Total Buildings – Doors	29,026	18,700	-	-	5,628	15,100	15,402	15,710	16,024	16,345	131,935
Buildings – Pony Walls	75,000	136,990	141,100	145,333	123,806	89,264	91,942	94,700	97,541	100,468	1,096,144
Total Buildings Roofs	125,014	122,828	126,462	5,306	29,221	138,646	5,631	5,743	5,858	5,975	570,686
Total Buildings – Stucco, flashing & wood	85,161	86,864	116,150	118,472	82,783	57,964	59,123	60,306	-	-	666,823
Total Electrical/ Lights	15,000	24,058	15,606	15,918	16,236	16,561	16,892	17,230	17,575	17,926	173,004
Total Fences/Gates/Rails/Walls	233,512	140,768	-	-	-	28,989	-	-	-	-	403,269
Irrigation - System Refurbish	300,000	-	-	-	-	-	-	-	-	-	300,000
Total Landscape	42,175	155,350	87,463	84,576	104,515	93,882	76,075	77,597	5,202	5,306	732,140
Total Paint & Waterproofing	-	202,499	232,981	-	-	174,589	-	-	-	-	610,069
Total Pool Cabanas	9,000	27,306	41,345	42,569	1,624	1,656	1,689	1,723	1,757	7,013	135,682
Total Pools & Spas	21,700	32,961	98,878	25,883	86,326	-	23,522	10,437	-	33,402	333,109
Signage	7,653	515	1,061	-	1,126	-	-	-	-	-	10,355
Total Termite Control	11,250	75,708	112,783	91,442	140,858	12,421	12,669	12,923	13,181	13,445	496,679
Total Utilities	65,000	51,000	8,000	8,160	8,323	8,490	8,659	8,833	9,009	9,189	184,664
Contingency	40,000	40,800	41,616	42,448	43,297	44,163	45,046	45,947	46,866	47,804	437,989
TOTAL RESERVE EXPENITURES	1,104,491	1,353,284	1,083,119	708,766	757,930	782,525	527,130	355,860	227,558	256,873	7,157,536

Initial 5 Year Total--\$5.0 Million

Final 5 Year Total--\$2.2 million

Funding Shortfall with No Special Assessment or Regular Assessment Increases?

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total	
Annual Assessment	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000	1,188,000	11,880,000	
Assessment Increase - input	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%		
Operating Expenses - 2% annual increase	2%	(805,700)	(821,814)	(838,250)	(855,015)	(872,116)	(889,558)	(907,349)	(925,496)	(944,006)	(962,886)	(8,822,190)
Reserve Allocation	(382,300)	(366,186)	(349,750)	(332,985)	(315,884)	(298,442)	(280,651)	(262,504)	(243,994)	(225,114)	(3,057,810)	
Reserve Percentage Increase		-4%	-4%	-5%	-5%	-6%	-6%	-6%	-7%	-8%		
Beginning Cash Balance	100,000	(622,191)	(1,609,289)	(2,342,658)	(2,718,440)	(3,160,486)	(3,644,568)	(3,891,048)	(3,984,404)	(3,967,967)		
Reserve Allocation	382,300	366,186	349,750	332,985	315,884	298,442	280,651	262,504	243,994	225,114	3,057,810	
Total Project Expenditures	1,104,491	1,353,284	1,083,119	708,766	757,930	782,525	527,130	355,860	227,558	256,873	7,157,536	
Ending Reserve Balance	(622,191)	(1,609,289)	(2,342,658)	(2,718,440)	(3,160,486)	(3,644,568)	(3,891,048)	(3,984,404)	(3,967,967)	(3,999,727)		

- Regular annual assessment revenue remains constant over 10 years
- Operating expenses increase by 2% per year due to inflation
- Reserve allocation decreases annually



- **\$3.2 million 5 year reserve deficit**
- **\$4.0 million 10 year reserve deficit**

Reserve Study Conclusions & Funding Objectives

❖ Conclusions

- ***Special Assessment and/or Regular Assessment Increases during Years 1-5 are required*** to address critical deferred maintenance
 - \$2.7 million or 28% of projects have a Remaining Useful Life of one year or less
 - \$5.5 million or 58% of projects have a Remaining Useful Life of five years or less
- ***Return Financial Responsibility for Select Repairs to Homeowners*** (e.g., water heaters and portions of concrete, termite, and garage doors) to reduce financial burden & be consistent with other HOAs

❖ Funding Objectives

- Fund and Complete Deferred Capital Projects Over 10 years and Replenish Reserves
- While funding all critical projects during years 1-5, delay less urgent repairs until years 5-10.
- Mitigate amount of a Special Assessment and spread it over several years
- Target Regular Assessment Increases to annual inflation
- Target Reserve level of “30% Funded” (\$1.0-1.5 million) by Year 10 to ensure sustainable financial stability.

Special Assessment Program and Next Steps

What Funding Options Were Considered?

- ❖ **(Option #1:) Special Assessment Program**--\$2.95 million Special Assessment (with optional payment plan), nominal annual Regular Assessment increases, & no Financing. Payment plan spreads payments over six years, would result in a property lien and interest at 4.5%.
- ❖ **Option #2: Financing**-- Borrow \$2.5 million over 10 years to avoid a Special Assessment. Increase Regular Assessments during years 1-4 to accommodate debt payments.
- ❖ **Option #3: Combination**-- \$2.0 million Loan and an \$800,000 Special Assessment. Increase Regular Assessments during years 1-4 to accommodate debt payments
- ❖ **Option #4: “Do Nothing” Scenario**-- Assumes future Boards would need to increase Regular Assessments by the 20% annual maximum in early years and impose a series of 5% Special Assessments to fund a portion of the deferred maintenance repairs. Board could impose additional Special Assessments for health & safety repairs, as needed

Special Assessment Program--\$2.95 million Special Assessment (with payment plan), Nominal Annual Regular Assessment Increases, & No Financing.

		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Annual Assessment		1,188,000	1,247,400	1,284,822	1,323,367	1,363,068	1,403,960	1,446,078	1,489,461	1,534,145	1,580,169	13,860,469
Assessment Increase - input		0%	5%	3%	3%	3%	3%	3%	3%	3%	3%	
Operating Expenses - 2% annual increase	2%	(805,700)	(821,814)	(838,250)	(855,015)	(872,116)	(889,558)	(907,349)	(925,496)	(944,006)	(962,886)	(8,822,190)
Reserve Allocation		(382,300)	(425,586)	(446,572)	(468,351)	(490,952)	(514,402)	(538,729)	(563,965)	(590,139)	(617,283)	(5,038,279)
Reserve Percentage Increase			11%	5%	5%	5%	5%	5%	5%	5%	5%	
Beginning Reserve Balance		100,000	177,809	146,861	271,064	309,899	260,921	201,798	213,397	421,502	784,083	
Reserve Allocation		382,300	425,586	446,572	468,351	490,952	514,402	538,729	563,965	590,139	617,283	5,038,279
Total Project Expenditures		1,104,491	1,353,284	1,083,119	708,766	757,930	782,525	527,130	355,860	227,558	256,873	7,157,536
Ending Balance w/o Additional Funding		(622,191)	(749,889)	(489,686)	30,649	42,921	(7,202)	213,397	421,502	784,083	1,144,492	
Special Assessment		800,000	800,000	700,000	250,000	200,000	200,000	-	-	-	-	2,950,000
Interest Income (4.5% on O/S balance)			96,750	60,750	29,250	18,000	9,000					213,750
Net Funding		800,000	896,750	760,750	279,250	218,000	209,000	-	-	-	-	3,163,750
Ending Reserve		177,809	146,861	271,064	309,899	260,921	201,798	213,397	421,502	784,083	1,144,492	

	Overall Cost Increase: 10 Year Average Total Assessments/Unit	Cost Spread: Total Annual Avg. Assessments/Unit - Over 6 Years	Cost Spread: Total Annual Avg. Assessments/Unit - Over 10 Years	Saleability: Year 6 Average Monthly Regular Assessment	Financial Stability: Year 10 Reserve Balance
Current Cost	\$59,700	\$5,970	\$5,970	\$498/mo	\$100,000
Option #1	\$24,775	\$9,012	\$8,447	\$571/mo	\$1.14 million
% Increase	42%	51%	42%	15%	N/A

“Do Nothing” Scenario-- Assumes Future Boards Would Need to Increase Regular Assessments by the 20% Annual Maximum and Impose Sporadic 5% Special Assessments to Address Repairs, as needed

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Annual Assessment	1,188,000	1,425,600	1,710,720	2,052,864	2,463,437	2,463,437	2,463,437	2,463,437	2,463,437	2,463,437	21,157,805
Assessment Increase - input	0%	20%	20%	20%	20%	0%	0%	0%	0%	0%	0
Operating Expenses - 2% annual increase	2%	(805,700)	(821,814)	(838,250)	(855,015)	(872,116)	(889,558)	(907,349)	(925,496)	(944,006)	(8,822,190)
Reserve Allocation	(382,300)	(603,786)	(872,470)	(1,197,849)	(1,591,321)	(1,573,879)	(1,556,088)	(1,537,941)	(1,519,431)	(1,500,551)	(12,335,615)
Reserve Percentage Increase		58%	44%	37%	33%	-1%	-1%	-1%	-1%	-1%	
Beginning Reserve Balance	100,000	(562,791)	(1,241,009)	(1,366,122)	(774,397)	182,166	973,520	2,002,478	3,184,559	4,476,432	
Reserve Allocation	382,300	603,786	872,470	1,197,849	1,591,321	1,573,879	1,556,088	1,537,941	1,519,431	1,500,551	12,335,615
Total Project Expenditures	1,104,491	1,353,284	1,083,119	708,766	757,930	782,525	527,130	355,860	227,558	256,873	7,157,536
Ending Balance w/o Additional Funding	(622,191)	(1,312,289)	(1,451,658)	(877,040)	58,994	973,520	2,002,478	3,184,559	4,476,432	5,720,109	
Special Assessment - 5% NO VOTE	59,400	71,280	85,536	102,643	123,172	-	-	-	-	-	442,031
Line of Credit Financing		-	-	-	-	-	-	-	-	-	-
Debt Payments		-	-	-	-	-	-	-	-	-	-
Net Funding	59,400	71,280	85,536	102,643	123,172	-	-	-	-	-	
Ending Reserve	(562,791)	(1,241,009)	(1,366,122)	(774,397)	182,166	973,520	2,002,478	3,184,559	4,476,432	5,720,109	

Insufficient Reserves to Fund Projects

	Overall Cost Increase: 10 Year Average Total Assessments/Unit	Cost Spread: Total Annual Avg. Assessments/Unit- Over 6 Years	Cost Spread: Total Annual Avg. Assessments/Unit- Over 10 Years	Saleability: 2027 Average Monthly Regular Assessment	Financial Stability: Year 10 Reserve Balance
Current Cost	\$59,700	\$5,970	\$5,970	\$498/mo	\$100,000
Option #4	\$48,275	\$9,743	\$10,797	\$1,032/mo	\$5.72 million
% Increase	81%	63%	81%	107%	N/A

How Does the Special Assessment Program Compare to the “Do Nothing” Scenario?

	Overall Cost Increase: 10 Year Average Total Assessments/Unit	Cost Spread: Total Annual Avg. Assessments/Unit Over 6 Years	Cost Spread: Total Annual Avg. Assessments/Unit Over 10 Years	Saleability: 2027 Average Monthly Regular Assessment	Financial Stability: Year 10 Reserve Balance	Comments
Special Assessment Program	\$24,775	\$9,012	\$8,447	\$571/mo.	\$1.14 million	<ul style="list-style-type: none"> • Least expensive plan • Lowest Regular Assessment in 2027 • Solid/balanced reserves
“Do Nothing” Scenario	\$48,275	\$9,743	\$10,797	\$1,032/mo.	\$5.72 million	<ul style="list-style-type: none"> • Most expensive plan • Insufficient to fund projects • Regular Assessment more than doubles by 2027 • High uncertainty for residents

Note: the “Do Nothing” Scenario does not reflect the likelihood future Boards would need to impose additional special assessments to fund emergency repairs

Special Assessment Program Detail

- ❖ **Special Assessment Program**--\$2.95 million Special Assessment (with optional payment plan), nominal annual Regular Assessment increases, & no Financing. Payment plan would result in a lien on the property and interest at 4.5%.

- ❖ **Two Payment Options** (per unit averages)

- One Payment of **\$14,825**
- Six Year Payment Plan--Yr 1: **\$4,020** , Yr 2: **\$4,506** , Yr 3: **\$3,823** , Yr 4: **\$1,403** , Yr 5: **\$1,095** , Yr 6: **\$1,050**
 - Payment Plan includes interest at 4.5% and is pre-payable at anytime without penalty
 - Outstanding balance will be secured by property lien

- ❖ **Actual payment amounts will depend on Homeowners plan type (see following page for detail)**

- ❖ **Rationale**

- Least Expensive plan to Owners, Overall
- Results in the Lowest Increase in Regular Assessments
- Two Payment Options Provide Maximum flexibility to Residents
- Avoids High Cost of Debt and Significant Increase in Regular Assessments

Special Assessment Program Payment Options by Plan

PLANS	One Time 2,950,000	Year 1 800,000	Year 2 800,000	Year 3 700,000	Year 4 250,000	Year 5 200,000	Year 6 200,000	Total w/ Interest 4.5%	
PLAN 1	13,834.01	1270 sf	3,751.60	3,751.60	3,282.65	1,172.37	937.90	937.90	13,834.01
Est Interest		-	453.71	284.89	137.17	84.41	42.21	1,002.38	
Total Payment		3,751.60	4,205.31	3,567.53	1,309.54	1,022.31	980.10	14,836.39	
PLAN 2	14,792.59	1358 sf	4,011.55	4,011.55	3,510.11	1,253.61	1,002.89	1,002.89	14,792.59
Est Interest		-	485.15	304.63	146.67	90.26	45.13	1,071.84	
Total Payment		4,011.55	4,496.70	3,814.73	1,400.28	1,093.15	1,048.02	15,864.43	
PLAN 3	17,101.89	1570 sf	4,637.80	4,637.80	4,058.08	1,449.31	1,159.45	1,159.45	17,101.89
Est Interest		-	560.88	352.18	169.57	104.35	52.18	1,239.16	
Total Payment		4,637.80	5,198.69	4,410.26	1,618.88	1,263.80	1,211.63	18,341.05	
PLAN 4	17,973.33	1650 sf	4,874.12	4,874.12	4,264.86	1,523.16	1,218.53	1,218.53	17,973.33
Est Interest		-	589.46	370.13	178.21	109.67	54.83	1,302.30	
Total Payment		4,874.12	5,463.59	4,634.99	1,701.37	1,328.20	1,273.36	19,275.63	
PLAN 5	9,716.49	892 sf	2,634.98	2,634.98	2,305.61	823.43	658.74	658.74	9,716.49
Est Interest		-	318.67	200.09	96.34	59.29	29.64	704.03	
Total Payment		2,634.98	2,953.65	2,505.70	919.77	718.03	688.39	10,420.52	
PLAN 6	12,014.90	1103 sf	3,258.28	3,258.28	2,850.99	1,018.21	814.57	814.57	12,014.90
Est Interest		-	394.05	247.43	119.13	73.31	36.66	870.57	
Total Payment		3,258.28	3,652.32	3,098.42	1,137.34	887.88	851.22	12,885.47	

Summary & Next Steps

Summary

- ❖ Addressing deferred projects will require 5 years and returning EB4 to financial stability will take 10 years
- ❖ Project Costing/Planning has **reduced 5-Year Expenditures by more than 41%** to \$5.0 million
- ❖ **Voting Options:**
 - **Special Assessment Program: Lowest cost, lowest projected Regular Assessment increases, payment plan option, and reduced uncertainty**
 - **“No Vote” Scenario: Highest cost, highest projected Regular Assessment increases, significant uncertainty of future Special Assessments for health and safety repairs, annual disclosure issues**

Next Steps

- ❖ **Owners Vote on Special Assessment Program recommendation**
- ❖ **If Funding Program is Approved by 51% of Residents:**
 - Poll Owners to Determine the Break-Down of Residents Paying Upfront vs. Opting for the Payment Plan
 - Based on the Number of Upfront Payors, Adjust Project Phasing to Accelerate Schedule and Reduce Costs
- ❖ **Commence Project Plan Implementation**
- ❖ **Periodically, Board will Review and Adjust Project Plan**
 - Projects will be re-bid to update project cost estimates before each project is initiated
 - Regular updates will continue to be provided to Owner

Long Term Goals For Our Community



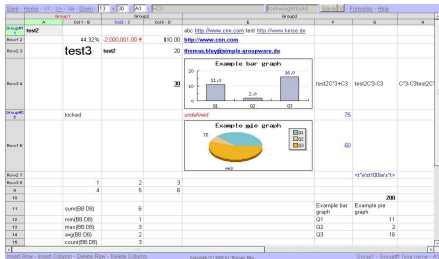
Sound Infrastructure



Predictable Assessments



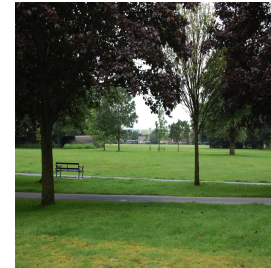
Better Disclosure for Owners/Buyers



Stable Financial Position



Improved Property Values



Attractive Community Aesthetic

Appendix

Civil Code: Special Assessment Restrictions

Special assessments may only be used for those purposes for which the assessment was approved. An assessment approved by the membership for new roofs may not be used by the board for new landscaping.

Flexibility in Use of Funds. Even though boards cannot divert special assessment monies from one project to other projects, boards have discretion to use the monies for related issues. For example, a special assessment approved for replacement of drain lines can be expanded by the board to include remediation of mold discovered in the walls once the replacement program has been started. Although mold was not on the ballot, it is sufficiently related to the replacement of pipes to fall within the board's discretion when repairs are made.

Where a duly constituted community association board, upon reasonable investigation, in good faith and with regard for the best interests of the community association and its members, exercises discretion within the scope of its authority under relevant statutes, covenants and restrictions to select among means for discharging an obligation to maintain and repair a development's common areas, courts should defer to the board's authority and presumed expertise. Thus, we adopt today for California courts a rule of judicial deference to community association board decisionmaking that applies, regardless of an association's corporate status, when owners in common interest developments seek to litigate ordinary maintenance decisions entrusted to the discretion of their associations' boards of directors. (*Lamden v. La Jolla Shores*, (1999) 21 Cal.4th 249.)

No Time Limit. Unless imposed by the assessment itself or by the governing documents, there is no time limit on the expenditure of special assessment funds. Even so, any delays in using the monies for their intended purpose must be reasonable.

Reserve Study Comparisons: Key Summary Stats 2022 vs. 2019

	2022 Reserve Study	2022 Per Unit	2019 Reserve Study	2019 Per Unit
Aggregate Estimated Current Replacement Cost	\$9.5 million	\$47,959	\$10.5 million	\$52,638
Aggregate Estimated Future Replacement Cost	\$14.5 million	\$72,821	\$15.0 million	\$75,524
Aggregate Capital Expenditures Initial 5 Years	\$5.8 million	\$29,353	\$8.5 million	\$42,802
SCT: Annual Reserve Allocation Increase % Assumption	4.34%		4.95%	
SCT: Special Assessment Assumption--over 5 yrs for 2019 study & 4 yrs for 2022 study	\$5.0 million	\$25,126	\$8.7 million	\$43,500
SCT: Inflation Rate Assumption	3.0%	n/a	3.0%	n/a
100% Funded	30 Years	n/a	30 Years	n/a

More accurate project specs and bids resulted in a net reduction in estimated replacement cost

Spreading projects over a longer period results in higher inflation-adjusted costs over 30 years

Size of estimated project/costs reduced and timing has been spread out to mitigate Special Assessment

Lower current replacement costs & capital expenditures during years 1-5. **SCT Assumption-Not Final**

Inflation assumption higher than current economic forecasts

Many HOAs target a 35-40% funded rate at all times

Potential Initiatives to Reduce HOA Capital Expenditures, Special Assessments, and Annual Regular Assessment Increases

Project	Examples	Comments
<ul style="list-style-type: none"> ❖ Continue to evaluate opportunities to reduce operating expense to increase the portion of regular assessments that funds the Reserve and capital projects 	<ul style="list-style-type: none"> • Earthquake Insurance • Water Usage & Cost • Legal Expense • Water Intrusion & Remediation 	<ul style="list-style-type: none"> • Finance Committee will continue to review operating expenses to identify opportunities to reduce • Operating expense reduction would allow a larger allocation of Regular Dues to Reserves
<ul style="list-style-type: none"> ❖ Shift financial responsibility for select projects back to homeowners 	<ul style="list-style-type: none"> • Water Heaters • Concrete Entry Pads • Atrium Drains • Garage Doors & Components • Water Meters 	<ul style="list-style-type: none"> • Many HOAs do not bear the financial responsibility for listed examples • Bylaws would have to be changed and changes must be approved by residents' vote.
<ul style="list-style-type: none"> ❖ Reduce, Phase and/or Delay less critical projects or repairs 	<ul style="list-style-type: none"> • Landscape & Tree Removal • Asphalt & Concrete • Fences 	
<ul style="list-style-type: none"> ❖ Finance all or a portion of necessary projects over 5-10 years to spread out the cost. 	<ul style="list-style-type: none"> • Line of credit for a portion of project cost during yrs. 1-5 • Repayment term 5-10 yrs. • Upfront fee, plus annual interest 	<p>Finance Committee is investigating loans & lines of credit, which may be used to reduce/defer need for a large Special Assessment</p>

Option #2: Financing Option-- No Special Assessment, Maximum Loan of \$2.5 million, with a 12 Month Draw Period. High Regular Assessment Increases During Years 1-4 to Accommodate Debt Payments.

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Annual Assessment	1,188,000	1,425,600	1,639,440	1,885,356	1,979,624	1,979,624	1,979,624	1,979,624	1,979,624	1,979,624	18,016,139
Assessment Increase input	0%	20%	15%	15%	5%	0%	0%	0%	0%	0%	
Operating Expenses - 2% annual increase	(805,700)	(821,814)	(838,250)	(855,015)	(872,116)	(889,558)	(907,349)	(925,496)	(944,006)	(962,886)	(8,822,190)
Reserve Allocation	(382,300)	(603,786)	(801,190)	(1,030,341)	(1,107,508)	(1,090,066)	(1,072,275)	(1,054,128)	(1,035,618)	(1,016,738)	(9,193,949)
Reserve Percentage Increase		58%	33%	29%	7%	-2%	-2%	-2%	-2%	-2%	
Beginning Reserve Balance	100,000	576,247	724,092	96,069	82,800	108,784	103,982	348,032	756,456	787,876	
Reserve Allocation	382,300	603,786	801,190	1,030,341	1,107,508	1,090,066	1,072,275	1,054,128	1,035,618	1,016,738	9,193,949
Total Project Expenditures	1,104,491	1,353,284	1,083,119	708,766	757,930	782,525	527,130	355,860	227,558	256,873	7,157,536
Ending Balance w/o Additional Funding	(622,191)	(173,251)	442,163	417,644	432,378	416,325	649,126	1,046,300	1,564,516	1,547,740	
Special Assessment input	-	-	-	-	-	-	-	-	-	-	-
Financing - Update Amortization 2	1,250,000.00	1,250,000.00	-	-	-	-	-	-	-	-	2,500,000
Debt Payments	(51,562.50)	(352,656.25)	(346,093.75)	(334,843.75)	(323,593.75)	(312,343.75)	(301,093.75)	(289,843.75)	(776,640.63)	-	(3,088,672)
Closing Costs	(57,500.00)										
Net Funding	1,198,438	897,344	(346,094)	(334,844)	(323,594)	(312,344)	(301,094)	(289,844)	(776,641)	-	
Ending Reserve	576,247	724,092	96,069	82,800	108,784	103,982	348,032	756,456	787,876	1,547,740	

	Overall Cost Increase: 10 Year Average Total Assessments/Unit	Cost Spread: Total Annual Avg. Assessments/Unit- Over 6 Years	Cost Spread: Total Annual Avg. Assessments/Unit- Over 10 Years	Saleability: 2027 Average Monthly Regular Assessment	Financial Stability: Year 10 Reserve Balance
Current Cost	\$59,700	\$5,970	\$5,970	\$498/mo	\$100,000
Option #2	\$30,833	\$8,457	\$9,053	\$829/mo	\$1.55 million
% Increase	52%	42%	52%	67%	N/A

Includes Total Interest & Costs of \$646,172

Option #3: Combination-- \$2.0 million Loan, \$800,000 Special Assessment & Modestly High Regular Assessment Increases in Years 1-4 to Accommodate Debt Payments

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Annual Assessment	1,188,000	1,306,800	1,437,480	1,581,228	1,739,351	1,913,286	1,913,286	1,913,286	1,913,286	1,913,286	16,819,288
Assessment Increase input	0%	10%	10%	10%	10%	10%	0%	0%	0%	0%	
Operating Expenses - 2% annual increase	(805,700)	(821,814)	(838,250)	(855,015)	(872,116)	(889,558)	(907,349)	(925,496)	(944,006)	(962,886)	(8,822,190)
Reserve Allocation	(382,300)	(484,986)	(599,230)	(726,213)	(867,235)	(1,023,728)	(1,005,937)	(987,790)	(969,280)	(950,400)	(7,997,098)
Reserve Percentage Increase		27%	24%	21%	19%	18%	-2%	-2%	-2%	-2%	
Beginning Reserve Balance	100,000	177,809	218,261	452,247	192,818	34,248	16,576	245,508	636,563	914,535	
Reserve Allocation	382,300	484,986	599,230	726,213	867,235	1,023,728	1,005,937	987,790	969,280	950,400	7,997,098
Total Project Expenditures	1,104,491	1,353,284	1,083,119	708,766	757,930	782,525	527,130	355,860	227,558	256,873	7,157,536
Ending Balance w/o Additional Funding	(622,191)	(690,489)	(265,628)	469,693	302,123	275,451	495,383	877,438	1,378,285	1,608,062	
Special Assessment input	800,000	-	-	-	-	-	-	-	-	-	800,000
Financing - Update Amortization 1		1,000,000	1,000,000								2,000,000
Debt Payments		(41,250.00)	(282,125.00)	(276,875.00)	(267,875.00)	(258,875.00)	(249,875.00)	(240,875.00)	(231,875.00)	(619,687.50)	(2,469,312)
Closing Costs		(50,000.00)									
Net Funding	800,000	908,750	717,875	(276,875)	(267,875)	(258,875)	(249,875)	(240,875)	(231,875)	(619,687)	
Ending Reserve	177,809	218,261	452,247	192,818	34,248	16,576	245,508	636,563	914,535	988,374	

	Overall Cost Increase: 10 Year Average Total Assessments/Unit	Cost Spread: Total Annual Avg. Assessments/Unit- Over 6 Years	Cost Spread: Total Annual Avg. Assessments/Unit -Over 10 Years	Saleability: 2027 Average Monthly Regular Assessment	Financial Stability: Year 10 Reserve Balance
Current Cost	\$59,700	\$5,970	\$5,970	\$498/mo	\$100,000
Option #3	\$28,839	\$8,347	\$8,854	\$801/mo	\$988,374
% Increase	48%	40%	48%	61%	N/A

Includes Total Interest & Costs of \$519,312

How Did the Four Options Compare?

	Overall Cost Increase: 10 Year Average Total Assessments/Unit	Cost Spread: Total Annual Avg. Assessments/Unit Over 6 Years	Cost Spread: Total Annual Avg. Assessments/Unit Over 10 Years	Saleability: 2027 Average Monthly Regular Assessment	Financial Stability: Year 10 Reserve Balance	Comments
Special Assessment Program	\$24,775	\$9,012	\$8,447	\$571/mo.	\$1.14 million	<ul style="list-style-type: none"> • Least expensive plan • Lowest Regular Assessment in 2027 • Solid/balanced reserves
Option #2: Financing	\$30,833	\$8,457	\$9,053	\$829/mo.	\$1.55 million	<ul style="list-style-type: none"> • More Expensive plan • Regular Assessment increases in 67% by 2027 • Total Financing cost of \$646,172
Option #3: Special Assessment/ Financing Combination	\$28,839	\$8,347	\$8,854	\$801/mo.	\$988,374	<ul style="list-style-type: none"> • Low cost during initial 6 yrs • Regular Assessment increases by 61% by 2027 • Low Reserves in 2026-27
Option #4: “Do Nothing”	\$48,275	\$9,743	\$10,797	\$1,032/mo.	\$5.72 million	<ul style="list-style-type: none"> • Most expensive plan • Insufficient to fund projects • Regular Assessment more than doubles by 2027 • High uncertainty for residents

Special Assessment Program Goals, Objectives and Rationale

