

Members of the Board,

At our most recent meeting on Thursday, October 3rd, the finance committee discussed various options for funding the construction of a gymnasium in the PLPOA. Our recommendation is that the Board explore raising the additional funds needed through the use of a one-time special assessment in the amount of \$250 or more.

In our analysis, we used the following assumptions:

- Total construction costs: \$1.8 million
- Construction buffer: 15% (\$270,000)
- Funds from Capital Improvement fund: \$520,000
- Loan term (if financed): 5 years
- Interest rate: 6.00%
- Assessed members: 6,427

Included on the following pages are two different scenarios for funding the project based on the use of financing (funded via an annual special assessment for the duration of the loan) or without financing (funded via a one-time special assessment). Both scenarios project \$1,550,000 of additional funds needed for this project. If it would be helpful to the board, we would be happy to project additional scenarios or incorporate additional variables.

In the Annual Assessment scenario shown on page 2 here, the total payments owed on the 5-year loan come out to \$1,797,951 (*Line15*) for a total interest cost of \$247,951 (*Line16*). The breakeven annual assessment amount would be \$56 (*Line23*) per year for each of the five years. Increasing the actual assessment to \$60 or \$65 (*Line26 and Line27*) would provide additional reserve funds for various new expenses associated with the building itself including staff, maintenance, equipment, etc.

In the One-Time Assessment scenario on page 3, the breakeven assessment amount would be \$241 (*Line14*). Again, increasing this to \$250 or \$275 (*Line17 and Line18*) would provide additional reserves for new building expenses.

Various factors would change this analysis, including changes in interest rates, desired buffer amount for initial construction, compliance with the special assessment, and desired reserve funds for new costs associated with the building (staff, maintenance, and reserve funds) to name a few.

The initial recommendation was withdrawn. An alternative option has been proposed, and the survey results will be presented to the finance committee for further review to finalize their recommendation.

Additionally, unexpected cost overruns during or after construction and the need to raise additional funds could face headwinds from membership. This could be mitigated by incorporating a larger construction buffer and/or a larger reserve buffer.

Adam Blocki
PLPOA Finance Committee Chair

	Scenario: Annual Special Assessment (5 Years)		
Line1	Total Cost of Gymnasium	\$1,800,000	-
Line2	Construction Buffer (15%)	\$270,000	<i>Line1 * 15%</i>
Line3	Total Expense	\$2,070,000	<i>Line1 + Line2</i>
Line4			
Line5	Capital Improvement Funds	\$520,000	-
Line6			
Line7	Additional Funds Needed	\$1,550,000	<i>Line3 - Line5</i>
Line8			
Line9	<i>Financing Info:</i>		
Line10	Interest Rate	6.00%	-
Line11	Term (mos)	60	-
Line12	Monthly Principal & Interest	\$29,966	<i>PMT (Line10 * [1/12], Line11, Line7)</i>
Line13	Annual Principal & Interest	\$359,590	<i>Line12 * 12</i>
Line14			
Line15	Total Payments	\$1,797,951	<i>Line11 * Line 12</i>
Line16	Total Interest Paid	\$247,951	<i>Line15 - Line 7</i>
Line17			
Line18	<i>PLPOA Membership:</i>		
Line19	Regular Members	6,098	-
Line20	Timeshare Members	329	-
Line21	Total Members	6,427	<i>Line19 + Line20</i>
Line22			
Line23	Annual Assessment Amount	\$56	<i>Line13 / Line21</i>
Line24			
Line25	<i>Reserve Funds at:</i>		
Line26	\$60 Annually	\$130,149	<i>(\$60 - Line23) * Line21 * 5 years</i>
Line27	\$65 Annually	\$290,824	<i>(\$65 - Line23) * Line21 * 5 years</i>
Line28			
Line29			
Line30			

Scenario: One-Time Special Assessment			
Line1	Total Cost of Gymnasium	\$1,800,000	-
Line2	Construction Buffer (15%)	\$270,000	<i>Line1 * 15%</i>
Line3	Total Expense	\$2,070,000	<i>Line1 + Line2</i>
Line4			
Line5	Capital Improvement Funds	\$520,000	-
Line6			
Line7	Additional Funds Needed	\$1,550,000	<i>Line3 - Line5</i>
Line8			
Line9	<i>PLPOA Membership:</i>		
Line10	Regular Members	6,098	-
Line11	Timeshare Members	329	-
Line12	Total Members	6,427	<i>Line10 + Line11</i>
Line13			
Line14	One-Time Assessment Amount	\$241	<i>Line7 / Line12</i>
Line15			
Line16	<i>Reserve Funds at:</i>		
Line17	\$250 One-Time	\$56,750	<i>(\$250 - Line14) * Line12</i>
Line18	\$275 One-Time	\$217,425	<i>(\$275 - Line14) * Line12</i>
Line19			
Line20			
Line21			
Line22			
Line23			
Line24			
Line25			
Line26			
Line27			
Line28			
Line29			
Line30			