

REQUEST FOR ACTION

To	The Collection Board of Directors			
Subject	Do NOT assume Balloon Payment is paid off in 2032 in 2018 Budget			
Preparer	Russell Ryan #2302			
Date	12/8/2017	For Board	x	Action
				Info

EXECUTIVE SUMMARY

Currently, The Collection's 2018 Budget assumes the mortgage balloon due in 2032 is paid off by reserved funds. This is a significant planning error.

The Board needs to take two actions:

- 1) Understand how the positive impact of assuming a re-fi of the \$500,000 in 2032 reduces maintenance fee escalation today.
- 2) Change budget accordingly and revise maintenance fee escalation projections, and then actual changes to members' maintenance fees.

The cost to each unit owner (on average) of paying off the \$500,000 balloon payment may be approximately \$7 per unit per month, which is 20-25% of the first annual increase.

The argument over uncertainty over future interest rates is also not a solid argument. This argument assumes that the consumer credit market will not exist and people will not be financing property anymore. The whole budget is based on best estimates of future costs. To single out one budget line-item for different treatment from other estimated costs, 15 years away is a planning mistake. Moreover, to elect to include a payoff in the analysis based on one vocal owner's views, rather than letting the numbers dictate the way forward is troubling.

RECOMMENDATION

Implement the changes proposed in the Executive Summary

RATIONALE

Owners will appreciate a lower projection of and actually paying less maintenance fees

Exhibits (If applicable)	Index	Title

FOR BOARD USE ONLY

CERTIFICATE OF BOARD ACTION

	Approved		Declined		Noted		Returned		Deferred		Withdrawn
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Stipulations

Coordinating Instructions

Distribution Instructions

Recording Secretary		Action Date		RFA No.	4
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