

Lodge Project Finance Topics

Includes Questions and Comments from Informational Meeting #1 7/8/2023 and email questions as of 6/28/2023

Line	Questions and Comments	Responses from John Barton WPOA Board Treasurer	Ref
1	Where is the money coming from to fund this project? Will we be charged even more money to live here? We already have trouble using the amenities because of outside people being able to come in and use things which results in things not being taken care of because if you do not live here, you have no regards or pride in how it looks.	If the project is approved by the mail-in vote of the membership, the vote will have authorized borrowing to fund the bulk of the project and that loan will be paid off by the membership through increased membership dues and possible additional assessments. There are also funds that have been set aside over time to repair and maintain the current lodge that could be used to fund the project.	8
2	how will the lodge project be paid for and what would the estimated cost be per homeowner/lot owner?	See answer for Line 1 above on how the project would be paid for. As the project is currently being considered, the total cost of the project, with estimates for contingencies, is approximately \$5.5 million. The cost per homeowner would be around \$320/year, or about \$27/month, until the project is paid off - approximately 21 years.	9
3	Will the property owners get to vote yes/no, or will the board be making the decision to proceed or not?	The vote of the property owners will decide whether the project proceeds. The Board does not have the authority to proceed with the project without membership approval.	10

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4	Do we make profits from the bar and restaurant, if not, why would we spend this kind of money for the building? If we need a building for club meeting and other gatherings, why not just build a cheaper pole barn building?	We do make money at the Lounge, but not currently at the Restaurant. There certainly is the potential to make money on the new facility, but there are so many uncertainties associated with trying to estimate those potential earnings that we are not trying to project how future earnings would offset the cost of the new facility. However, the real driver for this new facility was feedback from the membership about what was needed – the Long Range Planning Committee has spent nearly three years working on the project and has held numerous meetings with community members and cataloged their feedback about what was wanted/needed.	11
5	Thanks! I really hope that we can move forward with the plans. I'm assuming that cost may be an issue. Maybe we can do some fundraisers to help.	Private fundraising would certainly be helpful and appreciated. The WPOA Board is also exploring the possibility of establishing a not for profit charity that could make contributions tax deductible.	12
6	How much debt is WPOA willing/able to incur in order to complete this project?	The membership will decide if the project will move forward and the specific amount of debt that can be authorized in a special vote sometime this fall.	72

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7	What funding source(s) are available for this capital improvement?	The primary funding on this project would be through a loan or combination of loans. Although a project of this size could be funded over time solely through increased dues and assessments, it would take in excess of a decade to accumulate the necessary funds. A loan of this size cannot be done without the WPOA membership's authorization so a vote specifically on that authorization will be held later this fall.	73
8	What has the Board used for collateral for this loan and what is the initial down payment?	No loan has been put in place related to the project and cannot be put in place without the specific authorization of the WPOA membership. Until such approval has been received, no collateral can be pledged and no down payment will be made related to the project.	156
9	The community has been told for years that the Board cannot borrow money. What has changed in this regard for this project?	Nothing has changed, the Board cannot borrow money for this project without the authorization of the WPOA membership.	157
10	Is the Board considering restructuring the property owner dues?	If the project is approved by the membership, there would be an associated increase in member dues to pay for the project.	161
11	Current LW members who want to use the "Lounge" or "Restaurant" for example, actually become members and pay yearly or monthly dues to utilize these locations.	This suggestion will be considered by the Board.	162

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12	These operations should be self sustaining and pay for their own capital improvements. The Rec Center can be handled the same way. Apple Valley Lake operates this way and it is very successful.	This suggestion will be considered by the Board.	163
13	What about cost overruns?	The architect's overall estimate contained a line item for cost overruns but we increased that estimate significantly in coming up with our \$5.5 million overall projection.	186
16	Is the actual costs 4 or 5 million dollars?	See Line 2 on page 1 above.	191
17	\$316/y time 21 years at 1,600 members is \$10.6 million and that's the mortgage.	See Line 2 on page 1 above.	192
18	Will the new facility make money and possibly contribute to repayment of the loan?	Simple answer is yes, it could. The restaurant does not currently add money to the WPOA. The new restaurant will add money for their part of the facilities. Our facilities are for the enjoyment of our members and we pay our assessments for having those facilities. The Board could consider whether any money made at the Lounge, Restaurant and Event Center could be applied to the mortgage.	195

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14	What are the other infrastructure plans and are there funds being planned?	<p>“Infrastructure” is not a specific category in our budgeting process but there are line items within our budgeting that most people would probably consider infrastructure items – like roads, silt removal from the lake, maintenance of buildings, etc.</p> <p>We absolutely consider these types of items every year in our short term (operating) and long term (capital) budgeting processes (capital assessments).</p> <p>Take the current lodge for example. Every year there is a detailed review of the short and long term needs of the lodge and associated cost projections. Those final cost projections end up in either the operating budget (if they are planned to happen in the year being planned for) or the capital assessment budget (if they are related to capital items).</p> <p>The same thing happens for all the projected expenses (short and long term) with operating the lake – silt removal, road maintenance and repair, dam maintenance and repair – everything that has a current or projected cost associated with it. Then everything is categorized and totaled and we figure out what the annual cost assessment to members will be per year.</p> <p>The project we are now considering would be in addition to all that other “infrastructure” planning and would add an additional new cost assessment to the membership.</p>	189

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15	What is the cost of doing nothing?	The current lodge is over 50 years old and is at the end of its useful life. Both architectural firms we consulted labeled it “obsolete”. It is very energy inefficient and is considered by many to not meet the current needs of the community and ignores what the future community needs will be (even 5 years from now). It is difficult to justify spending the budgeted funds (nearly \$1 million over a period of years) on a building that has already exceeded its planned useful life. If issues do arise that require us to shut down the building, we will be without a lodge for 2-3 years while we plan, get approval for, and build the replacement.	190

More questions or comments? Email lodgeproject@lakewaynoka.com