

# Rafter J Ranch Improvement and Service District

## HOA Meeting Presentation

**August 20, 2013**

Following is a summary of recent past actions of the Improvement and Service District Board (ISD) and a “snapshot” of the 30-year cost / revenue analysis (Analysis) pertaining to the Rafter J Ranch Subdivision infrastructure, which includes the roads, pathways, and water / sewer systems. The “Final” Analysis will be posted on the Rafter J website next month and is meant to provide a “road map” for future discussions between the Home Owners Association Board (HOA), the ISD, and the residents of Rafter J to maintain an adequate level of service for the existing infrastructure. The objective is to ensure that there are sufficient long term financial assets to allow for the continued operation of vital services in a responsible and defensible manner.

The ISD has recently paid off two loans earlier than required. The Tank Loan is scheduled to be paid off this November. As a result of these actions, the ISD and the residents of Rafter J have realized an “interest savings” summarized below.

| <u>Loan Type</u> | <u>Original Loan Amount</u> | <u>Payoff Amount</u> | <u>Interest Savings</u> |
|------------------|-----------------------------|----------------------|-------------------------|
| Drinking Water   | \$800,000                   | \$585,988            | \$50,259                |
| Clean Water      | \$850,000                   | \$627,796            | \$50,874                |
| Tank             | <u>\$165,000</u>            | <u>\$165,000</u>     | <u>\$83,618</u>         |
| TOTALS           | \$1,815,000                 | \$1,378,784          | \$184,751               |

- Once the Tank Loan is paid, the ISD will have paid off all outstanding long term “loan” debt incurred over the last eight years.
- As of June 30, 2013, the ISD had a balance of \$711,080.

Exhibit A / Calculated Revenues and Costs at Milestone Years

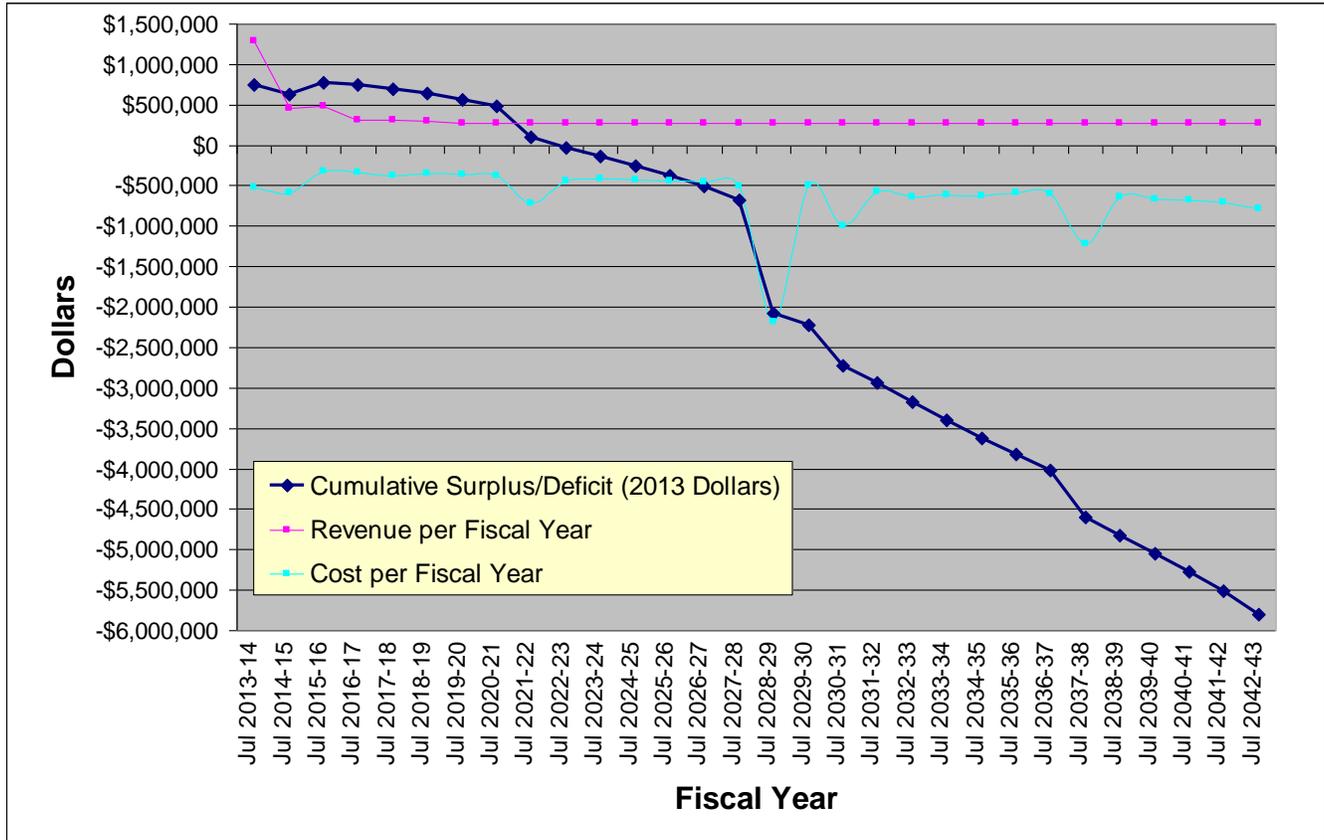
| Fiscal Year (FY)             | 2013-14                | 2018-19                 | 2021-22                 | 2028-29           | 2037-38                 | 2042-43                |
|------------------------------|------------------------|-------------------------|-------------------------|-------------------|-------------------------|------------------------|
| Projection Year              | 1                      | 6                       | 9                       | 16                | 25                      | 30                     |
| Notes                        | First Year of Analysis | Last Special Assessment | 2nd Scheduled Chip Seal | Overlay Scheduled | 4th Scheduled Chip Seal | Final Year of Analysis |
| Expenses                     | \$525,260              | \$354,868               | \$724,461               | \$2,185,326       | \$1,219,745             | \$787,681              |
| Revenue                      | \$1,293,363            | \$299,014               | \$275,098               | \$275,098         | \$275,098               | \$275,098              |
| Surplus (Deficit) Annual     | \$768,103              | (\$55,854)              | (\$449,363)             | (\$1,910,228)     | (\$944,647)             | (\$512,583)            |
| Surplus (Deficit) Cumulative | \$753,042              | \$646,534               | \$105,288               | (\$2,073,291)     | (\$4,601,242)           | (\$5,800,445)          |

Notes

- 1) The collection of special assessments will end in FY 18-19. **No adjustments** in current revenue amounts, including future due increases and inflation, are incorporated in this calculation for purposes of this Analysis. Projected expenses assume an annual 3% inflation factor.
- 2) The Cumulative Surplus / Deficit row shows the revenue minus expenses for that particular year in 2013 dollars.

Exhibit B illustrates the surplus / deficit from each year. The cumulative surplus / deficit is displayed in the following line graph as the dark blue line. The pink line illustrates the revenue per fiscal year and the light teal line indicates the total cost per fiscal year.

Exhibit B / 30 Year Cost – Revenue Analysis and Cumulative Surplus / Deficit Impacts



For the first 9 years, there is a surplus, largely due to the 2013 balance of \$711,080. Beginning in FY 22-23, and for the remaining years thereafter, there is a deficit. The principal reason for the negative change is the asphalt overlay that occurs in FY 28-29. The total sum of the surplus / deficit over 30 years in 2013 dollars indicates a calculated deficit of \$5,800,445. This monetary value can be viewed in the line graph as the final point under FY 42-43.

Conclusion

The HOA and the ISD will meet over the next year to discuss the ramifications of this Analysis and prepare a short / long term “financial plan” to address the pending future deficits and proposed funding models moving forward. Rafter J residents will be notified of these meetings and are encouraged to participate in the discussions. Final recommendations will be presented at the 2014 Annual HOA meeting.