bbwilbur@frontier.com

From: "Elsa Palmer" <suzypalmer1@me.com>
Date: Monday, April 29, 2013 11:22 PM
To: "Bob Wilbur" <bbwilbur@broadstripe.net>
Cc: "Ed Delahanty" <whshed@live.com>; "Dustin Frederick" <dustin@local519.org>; "Gwyn Staton" <gwynstaton1@msn.com>
Subject: Re: Question

I agree with Dustin, Bob and Gwyn. The devil is in the details. I am a little concerned that Karen is the individual gathering the information, but at this point I prefer not to make an issue of this. I do agree that answers to our questions absolutely depends on who we are working with at the bank. My impression last weekend was that generally the board was positive about a loan.

Regarding the tax situation, I am concerned that by posting it on ND has created a hornets nest. We need to resolve this issue ASAP. Also of concern is that we do not have our not for profit status that we were told was a certainty. What was Dan'l doing? We need to focus on the pool first but these things are an indication that we also have had some problems in the past.
We can talk about this on the phone this week.
Suzy

Sent from my iPhone
Suzy Palmer
847-902-4922

On Apr 29, 2013, at 9:57 PM, Bob Wilbur <bbwilbur@broadstripe.net> wrote:

> Hi Ed and Suzy,
> Hi Ed and Suzie,
> I understand the Board is considering two pool-funding ballots, as Dustin explained to Gwyn and me in the email below. What I suggest for balloting is not two pool funding options but one. While I understand the well-meaning intent, I suggest that ballot strategy is flawed because the $1500 single-hit option has significant inherent risks, and may end up deep-sixing the pool even if approved. On the other hand, the financing option seems to be the only option that would save the pool. I explain why just below, but first do feel free to share with the other Board members if you wish.
>
> The two options to fix the pool are (1) collect *all* the needed funds from the members now, or (2) take out a loan to fix the pool now and let the members pay the loan off over years. Let's look at four scenarios, all based on the current ~450 members in "good standing" (GS). The total needed is about $675,000, which when divided by ~600 members = $1,125/member, but assuming only GS members will pay, the amount has to be increased to $675,000/450 = $1,500/GS member.
>
> **Option 1: collect all the needed funds from the members now or $1500/member**

Scenario A: The plan goes out for a membership approval vote. The cost is about $1500 per household. The ballot measure is approved by a narrow vote: say 250 of the ~450 GS members. Time to collect. Oops, ~150 of the 450 GS members don't pay the assessment, those 150 members being composed partially of the some of the 200 who voted against the pool and some who voted for the pool but cannot raise the $1,500. So, we end up $225,000 short ($1500 x 150). Payers want money back, but those funds must be used to decommission the pool, so they get only a partial rebate. End result: chaos, pool is decommissioned.

Scenario B: The plan goes out for a membership approval vote at $1500 per household. Too many pool families who support the pool, cannot afford that single hit and are thereby forced to vote against the pool. End result: Pool is decommissioned.

Option 2: take out a loan to fix the pool now and let the members pay the loan off over years $340 ($140 for operations + $150 for debt service + $50 reserve).

Scenario C: The dues increase is not approved (however, this is less likely to occur than Scenario B because more members supporting the pool will be able to afford the dues increase than the $1500 one-time hit). End result: Pool is decommissioned but at least it failed against the best choice (Option D below).

Scenario D: The loan option is approved by the GS members. However, not all of the 450 GS members will pay their dues, but many more will than in Scenario A because the amount is much more affordable. If 60 members stop paying dues, the shortfall in the debt service will be 60 x 150 = $9000, but the 390 that do pay will have provided a reserve of 390 x 50 = $19,500, which more than covers the shortfall. Even if 113 of 450 GS members didn't pay their dues, the reserve and shortfall would be both equal at $16,875, the wash point. And even if the shortfall exceeded that amount, dues increases at 10% annually could supplement to help meet the mortgage obligation. But even, if we were looking at the very unlikely situation of foreclosure, other means might keep that from happening (e.g., donations), but if foreclosure were to happen, the bank would have to sell the property, and it seems likely that the pool could still be available via new owner(s). End result: Very likely that the pool survives.

Analysis and Conclusion:

Only one of the two options should be presented in a single-ballot vote, the better of the two. Option 1 is inferior because, even if approved, it involves a high risk of falling short of collecting the necessary funds. Clearly Option 2 provides the best (an maybe only) chance of pool funding being approved because it ensures that all of those who support the pool repairs to be able to afford to do so. Therefore, Option 1 should be scuttled as inferior to Option 2.

From: Dustin Frederick
Sent: Sunday, April 28, 2013 6:19 PM
To: Bob Wilbur ; gwynstaton1msn.com
Subject: FW: Question

Please see below.   Also---I talked with Ed Delehanty and the latest is:

They are going to send out a ballot that will have a choice to keep the pool or not keep the pool.

If you vote to keep the pool there will be two options for funding---to be sent out in a subsequent ballot--- but the “general” terms of the two funding choices will be explained.

One option will be a onetime assessment of approximately 1500

The other option will be a mortgage on Tract A---with a dues increase to $370 to cover the debt service--$140, yearly operation cost of $150---and a RESERVE of $80! I argued that the reserve should not be included in the projected dues---because---while it is a good idea---it is not required---and it can be built up over the next few years by annual dues increases of 10% per year. Without the reserve—the dues would be $290 per year---which sounds a lot better than 370!

The vote to decommission the pool will come with an estimated assessment of around 250K . (there is still disagreement on this---could be less)

Dustin