

PAC Finance Presentation to City Council

by STEVE PLOCHER

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Our PAC Board President Jay Shelfer asked me to give a short presentation about my thoughts and observations on the current financial state of MVMCC.

My name is Steve Plocher. I live at 51 Club View Drive. I have lived in the Park for three years. I am on the PAC Board, and I am the sole member of the finance committee. Out in the world I am a CPA with a tax and accounting practice with nine staff and about one thousand clients. I've been doing that for over 35 years. Our PAC Board President Jay Shelfer asked me to give a short presentation about my thoughts and observations on the current financial state of MVMCC.

I have in my possession ten years of audited financial statements for MVMCC, and this is where I get my numbers. My focus is on three areas that many residents are concerned about:

- (1) How healthy are our reserves and the balance on our large debt, and are we going in a good direction?**
- (2) How can we afford the big infrastructure repairs coming and the other big things we need to do?**
- (3) Will the answers to 1 & 2 require an increase in rents?**

Bank Loan

First, the reserves and our big bank loan. I prepared a spreadsheet* showing how much we are adding to the reserves each year and how much we are paying down the loan from Bank of Marin. Column C on that

sheet shows the additions to the reserves, and Column E shows the annual paydown on the bank loan. The far right column is the combination of the two, the total equity we are adding each year, close to a million dollars per year. MVMCC is financially very strong.

Infrastructure Repairs

Second, paying for all the big things. In the long run, if our infrastructure lasts 60 years, over that time span we should be accumulating \$60 million of savings and borrowing capacity. So if it costs \$12 million or more to replace the infrastructure, there will still be plenty left for all the projects and demands that come our way: such as a large solar electric array, fire hardening the clubhouse, and, of course, any major remodels or repairs to our facility. Some borrowing may be necessary depending on when these demands happen, but we will be in an excellent position to shoulder whatever financing we require.

While I am addressing the infrastructure, I prepared another spreadsheet showing the repairs to the infrastructure systems over the last ten years. It has a line for water lines, sewer pipes, gas lines, and electrical lines. If you read across those columns for any particular line, you can see that there is no gradual increase in magnitude of the annual expenses we incur for repairs. Now, I am not an engineer, but just from a financial point of view, if the repairs are

manageable and affordable, it seems we should be able to postpone total replacement of the systems until we see greater magnitude and frequency of repairs. Postponing the infrastructure replacement will allow us to address some more critical needs that will require the use of some of our reserves in the near future.

Rent Increase Requirements

Third, will we require rent increases? My third spreadsheet shows the income and expenses of operating MVMCC over the last ten years. The middle column is the annual amount of operating expenses. Below the spreadsheet is a graph that illustrates the spreadsheet. As they say, a picture is worth a thousand words. The records show no increase in our operating expenses over the recent decade. Obviously, certain line items like payroll, insurance, in-lieu of tax fees, and others are going up over time. But other line items apparently are offsetting them. Eventually total expenses will rise—it's inevitable—but we have a huge cushion of annual reserves as I showed earlier, and those reserves are going to be in excess of what is needed for projects. So if things continue this way, it may be many years before a rent increase will be necessary.

* Spreadsheets are available under Documents at the bottom of the PAC page on our website: marinvalley.net/pac/