

Memo

To: Dennis Wagner
From: Bill Wethe, Chair of the SCSHCA Finance Advisory Committee (FAC)
cc: Finance Advisory Committee, Controller of SCSHCA, President of SCSHCA, Treasurer of SCSHCA
Date: August 20, 2020
Re: Response to email regarding 2017 Operating Fund assessment increase

Thank you for your original email dated August 19, 2020 and the subsequent email that followed. The purpose of this memo is to formalize the response from FAC to the question you raised which was: "Thank you so much for your helpful information. If I could ask, what was the cause of the jump from 2016 to 2017?"

The \$34 per unit per month increase in the monthly Operating Fund assessment billed to owners in 2017 (from \$176 to \$210 per unit per month) was the result of several items. This "snapshot" summary of certain condensed financial information should help to explain the increase in the monthly assessment in 2017.

- By December 31, 2014, the accumulated fund balance in the Operating Fund was at \$2.0 million.
- The monthly Operating Fund assessment rate for 2015 remained the same amount as 2014 at \$178 per unit per month to allow for some utilization of the accumulated fund balance to offset a portion of 2015 budgeted costs and expenses. To achieve "break even" for 2015, the monthly Operating Fund assessment rate would need to have been \$197 per unit (2015 Actual Rate), or \$19 more per unit per month than the assessment rate billed to owners.
- The Operating Fund had a deficit of revenues over expenses of \$805K in 2015 reducing the accumulated fund balance in the Operating Fund to \$1.2 million as of December 31, 2015.
- The monthly Operating Fund assessment rate for 2016 was reduced to \$176 per unit per month to allow for further utilization of the accumulated fund balance in the Operating Fund to offset a portion of the 2016 budgeted costs and expenses. To achieve "break even" for 2016, the monthly Operating Fund assessment rate would need to have been \$203 per unit (2016 Actual Rate), or \$27 more per unit per month than the assessment rate billed to owners.

- The Operating Fund had a deficit of revenues over expenses of \$1.1 million in 2016 reducing the accumulated final balance in the Operating Fund to a deficit of \$230K as of December 31, 2016.
- With an accumulated deficit in the Operating Fund balance at the beginning of the year, the 2017 monthly assessment rate for the Operating Fund was increased to \$210 per unit to allow for full funding of anticipated costs and expenses in 2017 and to produce a surplus in the accumulated fund balance of the Operating Fund and generation of net working capital for the Operating Fund.

The \$210 monthly assessment rate for 2017 was \$7 per unit higher than the Actual Rate for 2016 of \$203. The Actual Rate for 2016 of \$203 was \$6 per unit per month higher than the Actual Rate for 2015 of \$197.