



Lakeside Streets and Drainage Capital Project

Discussion of Funding Options

July 1, 2023



Agenda

Objective: Present funding ideas for Streets and Drainage Capital Project and encourage thoughtful consideration of options by community members

- Upcoming dates
- Review estimated investment
- Funding options
- Additional considerations

Upcoming Dates



June-July 2023:
Board/
Management
Review and
Understand
Funding
Options

July 2023:
Solicit
Community
Feedback
including:
**July LPOA
Meeting**
**Community
Forum**
**Community
Meetings
to Discuss
Options**

August 2023:
Board to
Approve
Assessment/
Funding
Options

Fall 2023:
2023/2024 Budget
Approved, to
include Funding
for Construction
to begin in Fall
2024

Fall 2024:
Construction
Begins

← *Engineering and Design* →

Background: Estimated Investment

- Current estimate is \$4,000,000 total investment
 - Shared with Board and Community May 19
 - Amount includes estimate of inflation significant contingency
- Construction estimate is “**best estimate**” from CDE, Inc.
 - Includes “known” conditions after substantial study and discussion with potential contractors
 - Subject to change as project commences
 - Unknowns include: Asphalt prices (tied to oil), labor
- Lakeside is engaging CDE, Inc. for engineering and design to begin this summer
- Construction plan – start in Fall 2024, continue for (at least) three additional Fall seasons

Funding Options – Sources: assessment

- **Assessment:** “...will pay such amounts, not exceeding one per cent per annum on the appraised value, as it appears on the County Tax Duplicate, for sanitary purposes and improvements of streets, as the Directors of the Association may assess.”
- Management has been and continues to prepare a complete accounting of assessment receipts and expenditures to present to the Community. Results are expected to be presented at the August 2023 Community Forum
- 969 parcels; current assessment is 0.491% and is forecasted to provide \$1.7M of revenue (average assessment is about \$1,800/parcel)
- ~\$100k per year of current assessment available for Streets and Drainage Capital Project (~\$500k over 5-years)
- This amount will be reviewed once the accounting is completed, and annually throughout the duration of the Project

Funding Options – Sources in addition to the assessment

➤ **Road-use charges** for non-property owners (estimated at ~\$150k/yr).

Examples include:

- Daily auto pass surcharge
- Seasonal auto pass surcharge for non-property owners (outside-the-gate season auto passes; long-term renters, campground, others)
- HP-DRB charges for new construction or remodeling
- Road use fees for business operators
- Road use fees for golf carts
- Details and specifics continue to be prepared

➤ **Borrowing:** Line of credit or long-term debt options

Funding Options – Example Breakout

| | | % of Total | |
|---|-------------|------------|--------------------------|
| Estimated Investment | \$4,000,000 | | |
| Sources: | | | |
| Existing assessment | \$500,000 | 13% | <i>5 yrs @ \$100k/yr</i> |
| Non-assessment revenues <i>(e.g., road use fees)</i> | \$750,000 | 19% | <i>5 yrs @ \$150k/yr</i> |
| New assessment | \$2,750,000 | 69% | |

Funding Options for New Assessment Portion

- 1. Pay-as-you go:** 4-year construction funded from assessment and other sources over 5 years
- 2. Pay-as-you go, Extended:** 6-year construction funded from assessment and other sources (results in lower annual assessment)
- 3. Long-term debt:** 4-year construction partially funded with debt and repaid over a longer period (such as 10 years / or 11)
- 4. Line of Credit option:** 4-year construction funded over longer (say 6 years or 7) using line of credit (results in lower annual assessment)

Each option assumes an increase in the assessment in Fall 2023 to begin building a construction fund. This results in the assessment increase lasting for one year longer than construction and reducing the annual assessment increase accordingly.

Overview of Funding Summary: Illustrative Framework

| <u>Funding Option</u> | Pay-as-you-go | | Long term debt | Line of Credit |
|--|----------------|-----------|--------------------|-------------------|
| | <u>4-years</u> | | <u>10-yrs - 7%</u> | <u>6 yrs - 6%</u> |
| Construction duration | 4 seasons | 6 seasons | 4 seasons | 4 seasons |
| Assessment duration | 5 years | 7 years | 11 years | 7 years |
| <u>Average* NEW assessment per PARCEL</u> | | | | |
| Total | \$2,895 | \$2,476 | \$3,439 | \$2,593 |
| Annual | \$579 | \$354 | \$313 | \$370 |
| % Increase over current assessment** | 32% | 20% | 17% | 21% |

** Increases will be proportionate to current assessment. Average is for illustration only. See next slide.*

**** Average existing assessment is \$1,797**

A Word about “Average per Parcel”

- Current “average” annual assessment per parcel is \$1,797.
- About 78% of all parcels have annual assessments in the range of \$1000 to \$2750 – that is, from about 55% of the average to 150% of the average
- Referring to the “Average Increase per Parcel” – your parcel’s increase depends on the county’s valuation for your parcel compared to the average valuation in Lakeside
- If your parcel has a higher than average valuation, your assessment increase will be proportionately higher than the “average increase”
- Likewise, if you have a lower than average valuation, your assessment increase will be lower than the “average increase”

Conceptual Comparison of Funding Options

| | Pay-as-you-go | Pay-as-you-go, Extended | Long-term debt 11 yr@7% | Line of Credit 7 yr@6% |
|---|---------------|-------------------------|----------------------------|---------------------------|
| Pros | | | | |
| Lower Total Investment | Y | Y | N | N |
| Shorter Construction | Y | N | Y | Y |
| No Long-term Debt | Y | Y | N | N |
| Reduced annual payment | N | Y | Y | N |
| Cons | | | | |
| Higher Total Investment | N | N | Y | Y |
| Longer Construction | N | Y | N | N |
| Increase risk of "unknowns" <i>(costs, inflation, labor etc)</i> | N | Y | N | N |
| Increased annual payment | Y | N | N | Y |

Other Considerations

- Annual review of assessment accounting
- Establishing a “Streets Reserve” on completion of paying for this project
- Upfront payment option
- Other options: Community feedback

Request

- Please reflect on and consider the several options
- Discuss with your neighbors and friends --- and Board Members
- Please provide feedback by July 22 about your preferred funding option to **TheBoard@lakesideohio.com**