



MONTGOMERY VILLAGE FOUNDATION, INC.

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June 16, 2010

MEMORANDUM

TO: MVF Board of Directors

FROM: Dave Humpton, Executive Vice President
Greg Snellings, Chief Financial Officer

SUBJECT: Capital Projects & Proposed funding

Background: In April 2011, the MVF Board and management met for the annual retreat to discuss, among other things, the future of facility enhancements, programs, and other projects to continue the process of developing a long-term plan for the implementation of these items. The Board provided management direction as to the desired projects and the priority for inclusion in the long-range process. Based on this direction, management has completed the first draft of the proposed long-term capital plan.

The attached pages (MVF v DU) are a summary of the capital related projects identified at the April retreat and are prioritized by year based on several primary factors: Board interest, staff resources and funding capability. The costs proposed are rough estimates of what management believes to be very conservative. While there is much work that will be required to determine the true cost of each project, management believes the amounts noted provide a basis to determine the necessary capital required for the long range plan. As each project is undertaken, staff will fully research all aspects and will present the Board with a financial project proposal similar to those completed for the 2011 projects (community gardens and farmers market) which will provide a much greater detail of the costs, funding sources and timing for completion of the project.

With regard to capital funding sources, management believes the funding of capital projects from assessments will be necessary, but can be delayed by utilizing accumulated undesignated reserves and funding from new sources such as the capital contribution reserve fee ('CCR'). The CCR fee, as introduced in 2010, would be collected from new owners upon the purchase of property within Montgomery Village. Without alternative means for funding these projects, assessment increases will be necessary and much sooner than proposed in this plan.

Board action: Management seeks informal guidance and feedback on the projects, priority, funding, cost estimates and timing as proposed in the draft plans.

MVF Proposed 5-Year Capital Plan

		2012	2013	2014	2015	2016
From Assessments (1)		-	-	68,301	68,301	68,301
Undesignated Reserves	575,000	165,000	267,000		-	-
Combined w/Res proj.		-	-	-	-	-
Capital Contrib Reserve (2)		-	78,000	81,900	85,995	90,295
State Grants, User Fee, other		130,000	5,000	5,000	5,000	5,000
Total Revenue		295,000	350,000	155,201	159,296	163,596
Theater pond fountain		(25,000)				
SVP Restroom/concessions		(250,000)				
Path consultant study/implementation		(20,000)	(50,000)	(50,000)	(50,000)	(50,000)
Fitness Center (3)			(300,000)			
Welcome to MVF sign relocation/replacement				(40,000)		
MVF office pavillion				(60,000)		
MVF office reception remodeling					(100,000)	
Total Capital Used		(295,000)	(350,000)	(150,000)	(150,000)	(50,000)
Residual Capital (excess funding)		-	-	5,201	14,497	128,093
Rem Undesignated Reserve		410,000	143,000	148,201	162,698	290,791

(1) Assessment increases for capital projects proposed at \$.5/month/unit starting in 2014.

(2) 1/10 of 1% with avg MV of \$195,000 for 400 units (actual sold in 2010). Out years increased by 5% unit sales and assumed no increase in market value.

(3) Includes \$100,000 for equipment and \$200,000 for buildout of leased space.

2012: Undesignated reserves are projected to be \$575,000 as of Jan 1, 2012 and will be utilized to fund 50% of the SVP project (state grant remaining 50%), theater pond fountain (community garden replacement project), and the startup/consultation process to network and design the MV path/nature trail system. The trail project is expected to continue through 2016 and require \$50,000 annually.

2013: During 2012 staff will be busy developing a business plan for the "MV Health & Fitness Center". The proposed capital only includes the estimated cost of equipment and for the build-out of existing lease space. We do not believe the center is feasible within any of the 4 existing community centers. Approximately \$80,000 of capital for these projects would come from the proposed CCR fee assessed on home sales within MV. User fees would likely be required to fund ongoing operating costs.

2014/15: Projects include the relocation/enhancement of the "Welcome to MV" sign, adding a pavilion at the MVF office and reconstructing the front reception area of the MVF office building. Additional funding from assessments will be necessary in addition to the CCR fees.

DU Proposed 5-Year Capital Plan

		2012	2013	2014	2015	2016
From Assessments		-	-	48,576	48,576	48,576
Undesignated Reserves	625,000	120,000	100,000	51,424	51,424	51,424
Combined w/Res proj.		50,000	50,000	50,000	50,000	50,000
Total Revenue		170,000	150,000	150,000	150,000	150,000
Pool improvements (1)		(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
1 heated pool		(20,000)				
Total Capital Used		(170,000)	(150,000)	(150,000)	(150,000)	(150,000)
Remaining Capital		-	-	-	-	-
Rem Undesignated Reserve		505,000	405,000	353,576	302,152	250,728

(1) Includes: shower/bth upgades, ADA compliance, splash pads, zero entries, more funbrellas, kiddie features
These items will be implemented in connection with the consultant study being performed in 2011. Details will be provided with each years formal budget proposal.

2012: Undesignated reserves are proposed as the primary funding source for Designated User capital projects. With a projected balance of \$625,000 at Jan 1, 2012, these reserves will be utilized annually to defer the need for assessment increases until 2014 and will also be offset, where possible, by utilizing existing reserve/replacement funds when new projects can be combined with the need for scheduled repair/replacement work.

2012 also includes the addition of a heating device at 1 of MVF's pools. The heater will allow for an extension of the pool season opening in early May and remaining open through the fall time period. The estimate only includes the capital to cover the purchase and installation of the heating device, it does not include operating costs which would include personnel, utilities and other related expenses.