

OVA Expenditures in Perspective

The cost per member per month of an amortized \$20,000,000 capital expenditure would be \$20.51. Does this seem affordable to you?

In another note (<https://www.dharmacloud.com/OVA.htm>), I explained how Bruce Bon's focus on percentage increases in OVA dues since 2002 obscured the reality that from 2002 to 2023 the annual increase in monthly dues averaged just \$4. This is much less alarming than Bon's framing, "... OVA dues increased four and a half times as fast as inflation between 2003 and 2024." Rather than out-of-control spending by past Boards, the reality is that over the entire period annual increases in dues have been relatively modest.

Another area that needs perspective is the impact of OVA expenditures on members' finances. Many members on Next Door decry the current Board for "out of control expenditures." I haven't followed this closely, but I believe that a proposed expenditure for a study related to planning for changes in the central area of Oakmont has drawn particular fire. The amount of the proposed study is about \$110,000.

Out of context, \$110,000 seems like a huge amount. In the context of OVA finances, it is not very big. It amounts to a one-time expense of just 1.5% of the annual OVA budget of \$7,000,000.

To me, the most useful way to look at OVA expenditures is to look at their cost per member. I'd like to help people do this simply. To make calculations simple, round the number of members (4680) up to 5000. This will underestimate the cost per member by about 7%. If precision is important, multiply estimates based on 5000 members by 1.064.

Let's apply approach this to the contentious \$110,000 planning study. Cost per member is $\$110,000 \div 5000 = \22 . This is what all of the noise and wailing is about: \$22 for each member. This is not a recurring expense. It is just one time. Spread over a year, it amounts to less than \$2 per month. This is the financial impact that the Board and others should use when assessing whether this expenditure is worthwhile.

Capital expenditure can look horrifically large out of context. Without judging its accuracy, take an estimate of the cost of a complete revamp of the Oakmont central area -- \$20,000,000. Can Oakmonters possibly afford such an enormous expenditure? Yes, because, on an amortized, per member basis it is not all that big.

The cost of major new facilities should be financed largely by borrowing and amortizing over a lengthy period. The new facilities will bring benefits of members over their lifetime, and the full costs shouldn't be borne just by current members.

The monthly cost of a \$1,000,000 loan at six percent amortized over 20 years equals \$4,800. We have 4,680 members, so the cost per member per month is just over a dollar, \$1.03 to be exact.

The cost per member per month of an amortized \$20,000,000 capital expenditure would be \$20.51. Does this seem affordable to you?