

# CHAPEL TRAIL OWNERS ASSOCIATION

Bulk Cable/Internet

Financial Analysis

# Double Bulk (Cable TV & Internet)

	CURRENT	PROPOSED			
	Comcast	AT&T	Comcast (Option 2)	Comcast (Option 3)	Hotwire
Bulk Service Offered	D-Starter/Showtime	U-Verse 200/HD/HBO/3Mbps Internet	D-Starter/HD/Showtime or HBO/25Mbps	D-Starter/HD/X1/DVR/Showtime or HBO/50Mbps	Fision TV/HD/HBO/100Mbps
Total # of Channels Included	180	310	180	180	170
Term of Agreement (years)	7	7	7	7	7
Start Date	6/1/2009	6/1/2016	1/1/2016	1/1/2016	1/1/2017
Expiration Date	5/31/2016	5/31/2023	12/31/2022	12/31/2022	12/31/2023
Initial Bulk Rate (per unit/per month)	\$24.83	\$59.95	\$56.00	\$63.75	\$75.00
Annual Rate Increase adjustment:	3%	4%	3%	3%	5%
Digital Receivers Included: (2-way interactive);	1 DCT	1 HD/DVR & 2 HD	1 HD/DVR	1 X1 DVR	1 HD
Other receivers that are not interactive devices:	2 DTAs	0	2 HD	2HD X1 Companion Adapters	0
Consideration to Association (Per Unit Door Fee):	\$100	\$200	\$250	\$250	\$0
Consideration to Association (Total Door Fee):	\$367,600	\$735,200	\$919,000	\$919,000	\$0
Consulting Fee	\$455,077	\$183,800	\$192,034	\$192,034	\$0
Complimentary Services	As needed	4 U-Verse 200/HD outlets	As needed	As needed	Wi-Fi upto 50Mbps in common areas; community channel
Additional Programming - Video on Demand	included	included	included	included	included
Additional retail rates for resident upgrades (billed ditectly to resident's account by Vendor)					
Additional Digital Receivers	\$9.95	\$7.00	\$9.95	\$9.95	\$5.00
High Definition service to the Digital Receivers	\$9.95	included	included	included	included
Cost to add on DVR services to Bulk:	\$14.99	included	included	included	\$5.00

# Single Bulk (Cable TV Only)

	CURRENT	PROPOSED
	Comcast	Comcast (Option 1)
Bulk Service Offered	D-Starter/ Showtime	D-Starter/HD/ Showtime or HBO
Total # of Channels Included	180	180
Term of Agreement (years)	7	7
Start Date	6/1/2009	1/1/2016
Expiration Date	5/31/2016	12/31/2022
Initial Bulk Rate (per unit/per month)	\$24.83	\$32.25
Annual Rate Increase adjustment:	3%	3%
Digital Receivers Included: (2-way interactive);	1 DCT	1 HD/DVR
Other receivers that are not interactive devices:	2 DTAs	2 HD
Consideration to Association (Per Unit Door Fee):	\$100	\$250
Consideration to Association (Total Door Fee):	\$367,600	\$919,000
Consulting Fee	\$455,077	\$192,034
Complimentary Services	As needed	As needed
Additional Programming - Video on Demand	included	included
<b>Additional retail rates for resident upgrades (billed directly to resident's account by Vendor)</b>		
Additional Digital Receivers	\$9.95	\$9.95
High Definition service to the Digital Receivers	\$9.95	included
Cost to add on DVR services to Bulk:	\$14.99	included

# Assessment Impact (Cable TV & Internet)

	Current	Proposed			
	Comcast	AT&T	Comcast (Double)	Comcast (Double X1)	Hotwire
<b>REVENUES</b>					
4000 Homeowners Contributing Units	2,940,800	4,543,536	4,322,976	4,719,984	5,381,664
4090 Revenue from Operational Surplus <sup>1</sup>	67,048	200,000	200,000	200,000	200,000
4710 Cable Contract Signing Bonus <sup>2</sup>	39,386	78,771	103,852	103,852	-
<b>GROSS REVENUE</b>	<b>\$ 3,047,233</b>	<b>\$ 4,822,307</b>	<b>\$ 4,626,828</b>	<b>\$ 5,023,836</b>	<b>\$ 5,581,664</b>
<b>EXPENSES</b>					
<b>Cable Contract Expenses</b>					
5610 Bulk Rate Cable TV Contract <sup>3</sup>	1,240,911	3,014,746	2,816,110	3,205,840	3,771,576
5615 Bulk Cable Contract Negotiation Fee <sup>4</sup>	69,396	-	-	-	-
<b>Subtotal Administrative Expenses</b>	<b>\$ 1,310,307</b>	<b>\$ 3,014,746</b>	<b>\$ 2,816,110</b>	<b>\$ 3,205,840</b>	<b>\$ 3,771,576</b>
<b>Quarterly Maintenance (3,676 units)</b>	\$200.00	\$309.00	\$294.00	\$321.00	\$366.00
<b>Monthly Maintenance (3,676 units)</b>	\$66.67	\$103.00	\$98.00	\$107.00	\$122.00
<b>Annual Maintenance (3,676 units)</b>	\$800.00	\$1,236.00	\$1,176.00	\$1,284.00	\$1,464.00
<b>Variance Monthly</b>		\$36.33	\$31.33	\$40.33	\$55.33

## Assumptions:

- 1 Surplus is estimated based on audited financials
- 2 Contract signing bonus (Door Fee) is accrued for life of contract, 1/7th per year for respective vendor
- 3 Bulk Rate is fully loaded based on quoted rate + 14% for taxes and other fees which will be billed
- 4 Bulk Cable Contract Negotiation Fee will be paid in 2015
- 5 Calculations are estimated for 1st year of contract. Annual escalation apply for subsequent years
- 6 Assume all other expenses are equal to current year

# Assessment Impact (Cable TV Only)

	Current	Proposed	Variance
	Comcast	Comcast	
<b>REVENUES</b>			
4000 Homeowners Contributing Units	2,940,800	3,131,952	191,152
4090 Revenue from Operational Surplus <sup>1</sup>	67,048	200,000	132,952
4710 Cable Contract Signing Bonus <sup>2</sup>	39,386	103,852	64,467
<b>GROSS REVENUE</b>	<b>\$ 3,047,233</b>	<b>\$ 3,435,804</b>	<b>\$ 388,571</b>
<b>EXPENSES</b>			
<b>Cable Contract Expenses</b>			
5610 Bulk Rate Cable TV Contract <sup>3</sup>	1,240,911	1,621,778	380,867
5615 Bulk Cable Contract Negotiation Fee <sup>4</sup>	69,396	-	
<b>Subtotal Administrative Expenses</b>	<b>\$ 1,310,307</b>	<b>\$ 1,621,778</b>	<b>\$ 311,471</b>
<b>Quarterly Maintenance (3,676 units)</b>	<b>\$200.00</b>	<b>\$213.00</b>	<b>\$13.00</b>
<b>Monthly Maintenance (3,676 units)</b>	<b>\$66.67</b>	<b>\$71.00</b>	<b>\$4.33</b>
<b>Annual Maintenance (3,676 units)</b>	<b>\$800.00</b>	<b>\$852.00</b>	<b>\$52.00</b>

## Assumptions:

- 1 Surplus is estimated based on audited financials
- 2 Contract signing bonus (Door Fee) is accrued for life of contract, 1/7th per year
- 3 Bulk Rate is fully loaded based on quoted rate + 14% for taxes and other fees which will be billed
- 4 Bulk Cable Contract Negotiation Fee will be paid in 2015
- 5 Calculations are estimated for 1st year of contract. Annual escalation apply for subsequent years
- 6 Assume all other expenses are equal to current year

# Assessment Impact (NO Bulk)

	Current	Proposed	Variance
	Comcast	No Bulk	
<b>REVENUES</b>			
4000 Homeowners Contributing Units	2,940,800	1,632,144	(1,308,656)
4090 Revenue from Operational Surplus <sup>1</sup>	67,048	200,000	132,952
4710 Cable Contract Signing Bonus <sup>2</sup>	39,386	-	(39,386)
<b>GROSS REVENUE</b>	<b>\$ 3,047,233</b>	<b>\$ 1,832,144</b>	<b>\$ (1,215,089)</b>
<b>EXPENSES</b>			
<b>Cable Contract Expenses</b>			
5610 Bulk Rate Cable TV Contract <sup>3</sup>	1,240,911	-	(1,240,911)
5615 Bulk Cable Contract Negotiation Fee <sup>4</sup>	69,396	-	
<b>Subtotal Administrative Expenses</b>	<b>\$ 1,310,307</b>	<b>\$ -</b>	<b>\$ (1,310,307)</b>
<b>Quarterly Maintenance (3,676 units)</b>	<b>\$200.00</b>	<b>\$111.00</b>	<b>(\$89.00)</b>
<b>Monthly Maintenance (3,676 units)</b>	<b>\$66.67</b>	<b>\$37.00</b>	<b>(\$29.67)</b>
<b>Annual Maintenance (3,676 units)</b>	<b>\$800.00</b>	<b>\$444.00</b>	<b>(\$356.00)</b>

## Assumptions:

- 1 Surplus is estimated based on audited financials
- 2 No Contract signing bonus (Door Fee)
- 3 No Bulk Rate cost
- 4 No Bulk Cable Contract Negotiation Fee will be paid in 2015 \$192,034
- 5 Assume all other expenses are equal to current year

# Estimated Impact on Household Expenses

## Household Expenses (Monthly)

	Current	Proposed	Variance
	Comcast	No Bulk	
Association Dues	\$66.67	\$37.00	-\$29.67
Cable TV	\$24.94	\$65.00	\$40.06
Internet Service	\$78.00	\$78.00	\$0.00
<b>Total Monthly Expenses</b>	<b>\$169.61</b>	<b>\$180.00</b>	<b>\$10.39</b>
<b>Quarterly Maintenance</b>	\$508.82	\$540.00	\$31.18
<b>Annual Maintenance</b>	\$2,035.28	\$2,160.00	\$124.72

	Comcast	Comcast	
Association Dues	\$66.67	\$71.00	
Cable TV	\$24.94	\$0.00	-\$24.94
Internet Service	\$78.00	\$78.00	\$0.00
<b>Total Monthly Expenses</b>	<b>\$169.61</b>	<b>\$149.00</b>	<b>-\$20.61</b>
<b>Quarterly Maintenance</b>	\$508.82	\$447.00	-\$61.82
<b>Annual Maintenance</b>	\$2,035.28	\$1,788.00	-\$247.28

	Comcast	Comcast X1	
Association Dues	\$66.67	\$107.00	\$40.33
Cable TV	\$24.94	\$0.00	-\$24.94
Internet Service	\$78.00	\$0.00	-\$78.00
<b>Total Monthly Expenses</b>	<b>\$169.61</b>	<b>\$107.00</b>	<b>-\$62.61</b>
<b>Quarterly Maintenance</b>	\$508.82	\$321.00	-\$187.82
<b>Annual Maintenance</b>	\$2,035.28	\$1,284.00	-\$751.28

# Pros-Cons-Risks

## **Pros for Bulk Agreement**

- Take advantage of buying power discounted rates.
- Rate increases are lock for term of agreement to 3%-5% per year, depending on the service provider selected.
- Hundreds of thousands of dollars for “Door Fee” which could offset some of the costs.

## **Cons for Bulk Agreement**

- Residents could be paying for service(s) that are not used.
- Loss of hundreds of thousands of dollars for “Door Fee”.
- Freedom of choice for residents to choose their service provider.

## **Risks for Bulk Agreement**

- Could increase Bad Debt for those residents who don't pay their assessments.
- Slow response by service provider in resolving issues.



Questions ?