



# Fishing Creek Farm

## CAPEX Community Presentation 8 NOV 2020

*"We envision Fishing Creek Farm to be a community of friendly, caring and respectful neighbors who work together to achieve a higher quality of life, to increase property values and to grow friendships.*

*We envision a neighborhood that residents and non-residents consider to be a desirable place in which to live and enjoy the benefits of family, friends and community."*

Thanks for joining—look for +/- 20 min. presentation...can take questions as we go, but will want to keep in order of sign in.

FCF Vision Statement—basis for all efforts Improve home values, quality of life

Please use Go To Meeting "Chat" function to submit questions if possible—will be answered in queue (Moderator-Colleen-will proffer)



## Topics and Approach

- ☐ Greeting
- ☐ Mission, Methodology, and Process
- ☐ The Challenge and Major Cost Drivers
- ☐ Discussion of Funding Models — Three Options Evaluated
- ☐ Feedback, Questions, Recommendations

Will address questions at the end of the presentation as much as possible—also can use “chat” function to ask questions

- ☐ Greeting
- ☐ Background & CapEx Approach Overview
  - ☐ Mission, Methodology, and Process    Use analytics and experience
    - ☐ Waterfront (Marina) not included
  - ☐ Existing Conditions    Challenge with funding next 5-10 years+
- ☐ The Challenge and Major Cost Drivers
  - ☐ Significant expenses for future years—option to start now or use larger special assessments
  - ☐ Community has higher expectations for maintenance and improvement of

## Open Space and recreational areas

- ☐ Focus groups and feedback at board meetings reference trails, beach areas, etc.
- ☐ Covid impacts—positive in the sense many more residents started using the many assets in the community—also brought to light need for maintenance and upgrades
- ☐ Discussion of Funding Models — Three Options evaluated, impacts vary depending on time and decisions by future boards
- ☐ Feedback, Questions, Recommendations
  - ☐ Approach
  - ☐ Models
  - ☐ Anything missing or should be considered differently?
- ☐ Future Plans



## CAPEX 2.0 Mission

- Provide recommendations for:
  - Meeting documented capital project needs
  - Addressing other strategic asset issues (as directed by Board)
  - Evaluating potential HOA member-recommended improvements (if possible)
- Complete process and present recommendations to HOA Board
  - 5-10 year road map for addressing capital improvements
  - Address other long-term responsibilities (>10 years)
  - Funding and implementation plans
- Capital Asset Focus — Annual Dues (Budget) are related, but not the focus
  - Yearly “Contribution to Reserves” line item funds capital program

### CapEx 2.0 Committee

Colleen Clark  
Deb Brafford  
Chauncey Brooks  
Kristan Dix  
Eamonn McGeady  
Jim Shaffer  
Dave Stadler

- CapEx team meeting almost every week since late MAR 2020
  - Mix of highly experienced professionals with backgrounds in administration, communications, construction, finance, policy, and operations
- Big thanks to Colleen, Deb, Chauncey, Kristin, Jim, Dave
- CapEx ultimately will recommend a capital budget / long-range plan to the board for the board to present for community approval
  - Addresses large and small capital assets
  - Specific phases—5 year, 10-year, > 10 year
  - Assets ranked for criticality and useful life (ref. Rating system worksheet)
- Entire process as collaborative, inclusive, factual and transparent manner for all involved
- Capital Asset Focus — Annual Dues (Budget) are related, but not the focus
  - See Yearly “Contribution to Reserves” line item

## funds capital program

- Capital Assets Only—Operational Budget is related, but not the focus
  - Finance models do consider “Contribution to Reserves” as a line item in Annual Dues
    - Special assessments as recommended by the board and approved by at least 51% of voting-eligible lots
- Recommendations only—succeeding boards will decide funding levels (Operations & Reserve) on an annual basis



## CAPEX 2.0 Methodology & Approach

- **Objective vs. Anecdotal**
  - Use quantitative means/tools when possible (e.g.: Asset Priority Worksheet)
  - In-depth analysis and due-diligence
    - Look at items/issues from many viewpoints, seek alternate opinions, understand entire context
- **Review Capital Assets and Reserve funding**
  - Operating and capital budgets are complementary functions
    - Long term capital asset plan and annual operating budget work together
    - Must address the reserve shortfall issue—largest liability to future of community
    - Resolution of Cherry Tree Lane Bulkhead with Anne Arundel County
- **CapEx focus is mainly near term--FYs 2021-2030 specifically**
  - 2031 and beyond not studied in as much detail

- Feedback meetings reflect more support for open space-related assets such as beach, trails, etc.
- Used M+D, BayLand, contractor estimates for validation
- CTL Bulkhead will be addressed in more detail later in presentation



## FCF By the Numbers

120 Permitted Residential Lots

2 formally Zoned Recreation Areas

17 distinct Storm Water Management structures

40-plus acres of dedicated environmental area in 19 formally Zoned Open Space parcels (including paths and beaches)

2.4 miles of South River, Fishing Creek / Chesapeake Bay shoreline



### Key assets include:

- Clubhouse with large outside deck space, full kitchen
  - Tables, chairs, umbrellas for pool and upper deck
  - Tables and chairs for clubroom interior
- Wifi for pool and marina
- Pool and separate children's pool
- Marina w/ pump-out station
- Dedicated parking lot for clubhouse/marina
- Boat Ramp w/ piers (new waterfront platform added to increase access and usefulness for all residents)
- Jet Ski dock
- Bridge access to Sandspit beach
- Crabbing pier
- Tennis/Pickleball Court
- Almost 1 mile of Open Space paths
- Dog relief stations
- Brick portals, signage, and entry gazebos
- Custom landscaping
- New shoreline protections system and additional beach area at southern end of Cherry Tree Lane ("The Fish Hook")

- ALL MAINTAINED BY 120 LOT OWNERS!!





## The Challenge

- The reserve fund is used to pay for capital repairs of the common assets of Fishing Creek Farm (FCF) and to spread the burden evenly across years and homeowners.
- For the first 20 years of the Homeowners Association (HOA) this has not been a problem as assets were new. In 2012 when FCF needed to address the clubhouse renovation sufficient funds had not been reserved so a special assessment was done. Other assets such as pool, marina, tennis courts and drainage are approaching end-of-life and must be maintained to preserve the value of FCF for all homeowners
- Year end 2020 HOA Reserve Fund projected to be \$200,000 with contribution of \$15,960 (8.2% of annual dues)
- The current amount in reserves along with expected contributions from annual dues is insufficient to meet projected long-term needs.

1. Majority of issues are 10-15 years away, but without planning there will be significant assessments needed (\$1.4 MM+) Fish Hook shoreline replacement is not included
2. Reserve amounts per 2020 proposed FY 2021 Budget as presented at 27 OCT board meeting
3. Historically HOA reserve contributions represent approximately 8%-9% of total dues collected (excluding special assessments).
  1. This was not as severe an issue in early life of FCF community, but is crux of problem now as existing capital assets have aged and are reaching end of “useful” life.
  2. Underfunding reserves has been collective choice of entire community—time now to consider how we want to approach the future
4. The Waterfront (Marina) reserve balance is currently \$315,713. Waterfront finances were not considered in this study.



## Objectives

- Establish a funding approach that guarantees the maintenance of our assets at the desired level (better, same, worse than today)
- Specifically, institute a funding approach (financial plan) using a combination of HOA dues increases and special assessments that:
  - Remain protected for their intended use across many years and board changes
  - Become an integrated part of the standard process by which we manage our community's finances (e.g. assure that annual contributions intended for infrastructure are not sacrificed for current needs)
  - Still offer some flexibility in future years (e.g. allow board to grant funding reductions or even "holidays" if we are underspending what we expect to need)
  - Are equitable to homeowners across years and changes (e.g. do not put a burden on people selling and buying in the next few years)
  - Are predictable, avoid surprising homeowners and provide financial certainty

--probably a reserve fund but could also be debt, etc.

Allows homeowners to manage obligations to concurrently manage (e.g. job loss, college, retirement, etc.)



## An Independent View

- Miller Dodson was retained to assess the FCF assets and suggest a funding level to assure that we can maintain the assets. In 2017 M+D recommended that we fund at \$3,265 per homeowner per year beginning in 2017. This represents a total of \$391,867 total. (2020 annualized = \$428,937)
- If we do not take action, Miller Dodson forecasts we will need to have reserves of approximately \$1.8 million over the next 40 years to meet all obligations (approximately \$688,000 between 2021-2030).
- Homeowners also have expressed a desire to add new assets and features that were not contemplated by Miller Dodson.

**millerdodson**  
CAPITAL RESERVE CONSULTANTS

M+D adjusted to 2020    factor of 1.0946 (3% escalation)    \$3574/lot/year  
\$297/month

Need to consider BayLand requirements as well

Note—if it were not for the grant money received last year for shoreline work these costs would almost double

$\$428,937/120 = \$3574$



## Major Cost Drivers

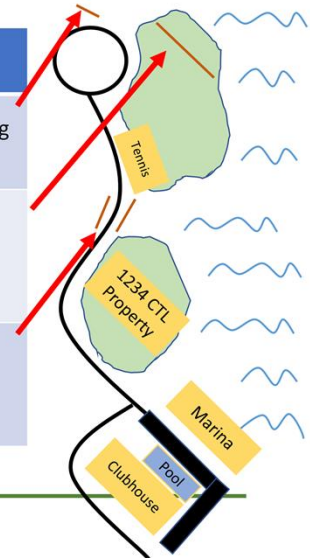
Project	Approximate Cost	Comments
1. Replace boat ramp and pier	\$50,000 - \$75,000	Some costs shared with marina which reduces the total cost to FCF.
2. Replace pool deck	\$50,000 - \$75,000	This depends on the extent of replacement needed
3. Replace tennis court	\$25,000 - \$75,000	Big factor is if foundation on which court rests is replaced.
4. Refurbished parking lot shared by clubhouse, pool, and marina	\$50,000 - \$100,000	Despite resurfacing we will eventually need to replace the entire asphalt surface

- Replace Boat Ramp – Pier not needed and is deferred to save cost
- Pool deck – Cracking in many areas, will need attention. Possible crack fill & seal to defer replacement 5-10 years
- Replace Tennis Court - Recommendation is to keep filling crack/sealing, re-surface in lieu of full depth replacement
- Parking Lot - approaching 30-years. Needs cracks filled, sealing, etc. on a regular (3 yr.) basis. CapEx recommends full replacement to give additional 30-year life & sealcoat every 4-5 years



## Major Cost Drivers

Project	Approximate Cost	Comments
5. Cherry Tree Lane – repair the bulkhead at cul-de-sac	\$30,000 - \$60,000	Install new rip-rap outboard of existing structure
6. Cherry Tree Lane - Build new trails near shoreline	\$50,000	The land portion that corresponds to work going on now with grant money on shoreline
7. Cherry Tree Lane – replace bulkhead between road and water at “neck”	\$45,000 - \$60,000 (\$420,000 - \$480,000 if FCF Responsibility)	Currently modeled for minor repairs with 15% risk factor Working to decision around what AA County is responsible for versus FCF*



\* Please see slide notes section

5. Cherry Tree Lane Cul-de-sac bulkhead at tie-in to rip-rap need to confirm lot lines use rip-rap in lieu of replacing timber structure

6. New CTL shoreline trails—completes trail system on Fish Hook behind new shoreline system and plantings

- Restore/improve trail to complement new shoreline improvements

7. CTL Bulkhead Starting to show signs of degradation (capboard, fill loss, etc.)

- Major issue is if this is AACO or FCF responsibility
  - Capex committee has engaged AACO since JUN 2020 in working on resolution—county scheduled to survey site @15 NOV, then provide response to “ownership” question
    - If AACO responsibility, all costs will be removed from models
    - If FCF responsibility, CapEx recommendation is to budget for minor repairs, allowing time to develop plan for full replacement 2035 (or later)
  - All 3 models include the “factored” approach (\$45-\$60K next 10 years), allowing FCF time to work with AACO if FCF-owned and full replacement needed sometime after 2035
- CapEx recommendation to defer action pending discussion with AACO, yet

include risk factored reserve amount for minor repairs as recommended in BayLand Consultants report (MAR 2020)

- Replacement of capboard and copper caps will greatly retard degradation of piles and sheeting and extend useful life



## Major Cost Drivers

Project	Approximate Cost	Comments
8. Cherry Tree Cove – new access to Sandspit	\$25,000	Provide easier access to Sandspit shoreline
9. Crab pier-repair existing and add better access	\$20,000 - \$30,000	Will be achieved by adding 2-3 new timber bents to inboard end of existing structure
10. Service existing storm water management systems	\$25,000 - \$35,000 (leverages AACO work plan)	Current structures are clogged with debris and growth Preventive maintenance program every +/- 5 years
11. Control Southbreeze Beach erosion	\$220,000 - \$250,000	Would try for grant money to supplement; similar to Fish Hook work

### 8. Cherry Tree Cove/Sandspit Bridge access:

- Use invasive species control for mitigation?
- Investigate restoring permitted trails from Beachview and Cherry Tree Lane (each greater than 1,200 LF)

### 9. Crab pier--Inboard access only—permits needed?

- Will allow for more use and easier access from Thomas Pt. Court
- Addresses future projected climate change issues (higher tides, etc.)

### 10. Stormwater structures – AACO responsibility—still working with AACO DPW to develop possible multi-year program

- AACO has not maintained any structures since they were originally installed > 30 years ago
- FCF has requested county address issues, especially as they relate to Thomas Point Rd., Thomas Point Court, and Hidden River View Rd.
- Depending on AACO responses, FCF should consider 5-year plan, as county funding for this work is minimal
  - AACO DPW has “72-hour rule” whereby they do not respond to drainage maintenance requests unless there is standing water for 72 hours or more

- Areas behind 3443-51 HRV (Open Space parcel G) are prone to poor drainage

11. Southbreeze Beach – Reference BayLand report

- Will need at least 3 stone structures similar to Fish Hook
  - \$60K -- \$70K ea., plus additional costs, permits, etc.
  - BayLand estimates beach could be breached < 10 years (“one good storm” any time)
  - If breached, FCF loses title to affected Open Space parcel





## Focus Group Question 1 – Project Timing Recommendations

Project	Approximate Cost	< 6 mo.	6 - 18 mo.	18 mo. – 3 yrs.	3 - 5 yrs.	5-10 yrs.	>10 yrs.
1. Replace boat ramp concrete	\$50,000 - \$75,000				C		
2. Replace pool deck	\$50,000 - \$75,000					C	
3. Repair/Replace tennis court (partial/full rehab)	\$25,000 - \$75,000		C				C
4. Refurbish parking lot shared by clubhouse/pool/marina	\$50,000 - \$100,000			C			
5. CTL - replace the bulkhead at cul-de-sac with rip-rap	\$30,000 - \$60,000						C
6. CTL - Build new trails near shoreline	\$50,000					C	
7. CTL - Replace bulkhead between road and water at "neck"*	\$45,000 - 60,000 (\$420,000 - \$480,000 )				C		C
8. Cherry Tree Cove – new access to Bridge and Sandspit	\$25,000					C	
9. Crab pier repair and improve access	\$20,000 - \$30,000				C		
10. Service existing storm water management systems	\$25,000 - \$35,000			C		C	
11. Control Southbreeze Beach erosion *	\$250,000		F	Permits	C		

\* Biggest cost drivers and biggest range

C = CAPEX Committee

F = Focus Group

- Pricing for concrete ramp only (as recommended by BayLand & JH)
  - Full replace of boat ramp docks > 10 years
- Pool deck cracking now
  - full structure needs work for slab, coping, drains, tile, etc.
  - Do as part of parking lot?
  - We already know leak at wading pool will need to be addressed (\$10K?)
- Repair tennis court = partial overlay, paint, etc.
  - Full replacement = remove and replace, with additional foundation/substructure work
- Paved area would be full depth replacement
  - Need to look at drainage profile and utilities
- Stone only—tie in to Fish Hook stone at existing revetment
  - Do not remove existing
- Major decision--AACO or FCF responsibility needs to be determined
  - if deferred, will require MAJOR (+/- \$2500/lot) assessment to fund
- New trails to provide access to new Fish Hook area (permits?) Should this be moved earlier in the program? Focus groups thought this was important
  - Quote for clear/grub, adds annual maintenance cost to Oper. budget
- Access to Sandspit possible from HRV
  - (permits/easements?)

- Might be able to offset some mitigation expenses by more robust invasive species management
1. Improve access to Crab Pier by adding 2-3 bents inboard of existing
    - Ref. BayLand report (permits?)
  2. AACO responsibility, but not priority
    - Consider adding @ \$5K every 3 yrs. to FCF Capital budget
  3. Per BayLand recommendation
    - 3-5 year project with permits
    - Seek grant funding (Save the Turtles or others?)



## Financial Model Planning Assumptions

- FY 2022 Reserve Replacement Account projected balance @ \$218K
- Funding models commence in FY 2022
- 3% annual operating escalation, not guaranteed, board may decide more/less needed in any given year
- CapEx did not study Waterfront Committee (Marina) reserve status
  - Shared assets (boat ramp & piers)
- Models are based on current assets and projected operational and capital expenses--unforeseen events may impact \$\$\$
  - E.g.: Interest rates, cash flow, major repairs required earlier than planned
- Future boards contribute majority of increases to reserves per plan

- Plan allows for a “roadmap” for future boards and community
- Intent is to have predictable finances to meet capital requirements
- Assumes subsequent boards will execute plan close to that envisioned

CTL Bulkhead has >10 years useful life remaining

Repair responsibility TBD between FCF and AACO (biggest cost driver)

All financial models allow for repairs performed by FCF in 2025 & 2030, replace 2035 or later (@\$15,000 ea.)

If determined AACO responsibility, bulkhead cost removed, with resulting savings 2025, 2030, and > 2035



## Major Funding Alternatives-Three Proposed Options

Alternative	Salient Points	Financial Translation
<b>Option 1: “Status quo/Pay as you go” model.</b> Dues to increase up to 10% per year with reserve contribution of @ 8% per year, special assessments as needed in multiples	<ul style="list-style-type: none"> <li>Keeps dues low initially</li> <li>Dues need to increase 8%-10-% year/year through 2026</li> <li>Will result in reserve fund well below 70% of need for 4-5 years</li> <li>Reactive method of planning, does not address long term issues</li> </ul>	<ul style="list-style-type: none"> <li>Annual dues rise from \$1748 in 2021 to @ \$2800 in 2026, and @ \$3104 by 2030.</li> <li>Reserve fund is depleted by 2023.</li> <li>Requires special assessment of \$50K in 2022 to prevent a negative balance in reserves*</li> <li>If minimum reserve of \$200,000 desired, additional funding of @ \$573,000 (\$4755/lot) needed through 2030</li> </ul>
<b>Option 2: “Hybrid” model.</b> Uses a one time dues increase of 17.5% (thereafter dues increases average 2.4% until 2030), and special assessments are used to fund reserves in high demand years	<ul style="list-style-type: none"> <li>Annual dues escalation &lt; 5% for 8 years.</li> <li>95% of annual increase to reserve.</li> <li>Special assessment in 2022, next special assessments programmed for 6 to 7-year intervals.</li> <li>Reserves maintain minimum of \$200,000</li> <li>Provides stability &amp; predictability</li> </ul>	<ul style="list-style-type: none"> <li>Annual dues rise from \$1748 in 2021 to \$2054 in 2022, rise to @ \$2602 in 2030.</li> <li>Special assessment of \$96,000 (\$800/lot) in 2022 and \$72,000 (\$600/lot) in 2030</li> <li>Reserve fund is maintained at minimum of \$200,000 and all capital projects performed</li> </ul>
<b>Option 3: “Fully funded” model</b> All operating and reserve expenses are funded through the annual dues.	<ul style="list-style-type: none"> <li>Dues are sufficient to cover all known needs and not change every year. Most equitable for people coming and going. It avoids surprises.</li> <li>Reserves maintain minimum of \$200,000</li> </ul>	<ul style="list-style-type: none"> <li>Annual dues rise from \$1748 in 2021 to \$2622 in 2022, stay flat until 2032</li> <li>No special assessments forecast</li> <li>Reserve fund is maintained at minimum of \$200,000 and all capital projects performed</li> </ul>

- All plans allow for a “roadmap” for future boards and community
  - Intent is to have predictable finances to meet capital requirements
- FY 2022 HOA Reserve Balance projected to be @ \$218K
- Assumes Operations budget growth limited to ≤ 3%/year
- Program commences in FY 2022
  - Reserve payments paid into funds at beginning of the FY if possible
- All special assessments must be approved by at least 51% of homeowners in the year proposed

### Status Quo:

#### Features:

Increases dues by 10% in 2022 (\$1923/lot)

Dues increases up to 10% annually through 2026

Contributions to reserves less than 10% (assumes excess operation budget contributed to reserve)

Uses special assessments to fund capital projects

NOTE: \* Must include special assessment of @ \$50K in 2022 to prevent a negative balance in reserves—assuming recommended projects are performed in 2022-2023

If SBB deferred to > 2027, reserve OK  
Must include special assessment of at least \$150/lot (\$18K) NLT 2022 to keep reserve fund solvent  
If a special assessment of \$2,000/lot (\$240K) is included in 2021, reserve fund maintains minimum \$200K for extended period

**Advantages:**

Works within existing community expectations relating to dues  
special assessments targeted to specific years,  
\$180,000 assessment projected for 2038  
Initial low dues will be attractive to current and future owners

**Disadvantages:**

Reserve fund depleted by 2023 (if no special assessment or project deferral—violation of by-laws)  
Reserve Replacement fund remains very low in relation to projected expenses (especially 2023-2028)  
Uncertainty of receiving special assessment revenue when needed.  
Annual dues need to increase at least 10%/year for 5 years (2025-2026) to keep pace with projected expenses  
Newer owners pay disproportionately for lack of funding by current/past owners

**Hybrid:**

**Features:**

Raises dues approximately 17.5% in 2022 (\$2054/lot)  
Keeps increases very low for next eight years (annual dues increases projected to average 5.15% through 2030).  
Uses targeted special assessments with consistent intervals to fund capital projects

**Advantages:**

Provides high degree of financial predictability for HOA members (dues and special assessments) and board (high degree of predictability for revenue)  
Provides board with some flexibility for capital asset repair while keeping to strategic plan (ability to advance or defer project timing with certainty of funding intact).  
Reserve fund maintains minimum balance of \$200,000  
All capital projects performed  
95% of the increased dues contributed to Reserve Replacements

**Disadvantages:**

Initial dues increase is higher than any in past 15 years (17.5%)  
Will require special assessments with routine interval

Uncertainty of receiving special assessment revenue when needed

Fully Funded:

Features:

Raises annual dues approximately 50% in 2022 (\$2622/lot)  
Increases projected at approximately 8-9 year intervals  
95% of the increased dues contributed to Reserve Replacements

Advantages:

Establishes predictable revenue stream, fully funds both Operation and Reserve Replacement accounts annually  
Eliminates uncertainty pertaining to approval of special assessments  
No dues increases until 2032  
No special assessments needed  
Potential for annual dues reductions in "out" years  
Reserve fund maintains minimum balance of \$200,000  
All capital projects performed

Disadvantages:

Can result in very high balances that are in excess of actual and projected requirements.  
Potential for FCF to be seen as a community with excessive dues, potentially impacting resale options for HOA members.



## Finance Options – Comparisons

	Major Elements	Avg. 5-Yr. Dues (2021-2025)	Avg. 5-YR Special Assess. (2021- 2025)	Avg. 5- Yr. Reserve Balance 2021-2025	Avg. 10-Yr. Dues (2021-2030)	Avg. 10-YR Special Assess. (2021- 2030)	Avg. 10-Yr. Reserve (2021-2030)	Avg. 10-YR Dues (2031-2040)	Avg. 10-YR Special Assessment (2031-2040)
Option 1	Dues increases up to 10% per year, almost every year. Special assessments as required in many years (back\back-back). Reserve funding very low 2021-2029, little cash on hand to meet unexpected capital needs	\$ 2,217.94	\$ 83.33	\$ 123,357.04	\$ 2,617.39	\$ 41.67	\$ 197,486.91	\$ 3,953.02	\$ 150.00
Option 2	A 17.5% dues increase in 2022. Years 2023-2030 require small annual dues increases in selected years Special Assessment of \$800/lot and \$600/lot respectively required in 2022 and 2030. No more through 2032 Reserve fund stays above \$200,000	\$ 2,068.41	\$ 160.00	\$ 273,768.28	\$ 2,261.66	\$ 140.00	\$ 261,662.23	\$ 3,875.31	\$ 125.00
Option 3	Major dues increase in 2022 No Special Assessments ever required Reserve funds stay above \$200,000	\$ 2,447.51	\$ -	\$ 284,674.36	\$ 2,534.92	\$ -	\$ 343,322.71	\$ 3,712.47	\$ 80.00

**Based on finance options as of 30 OCT 2020**

## 5-Year, 10-Year, and 20-Year projections

- Option 1: Status Quo
- Option 2: Hybrid
- Option 3: Fully Funded



## Next Steps

### • We want to hear from you!

- Proposed “small group” discussion sessions greater detail or feedback -
  - Go To Meeting Small groups on Tuesday NOV 10, Thursday NOV 12, and Tuesday 17 NOV
  - Provide comments via email, phone, etc.
  - Initial feedback presentation at NOV FCF Board meeting
- Compile and evaluate community and small group feedback
  - Analyze and evaluate
  - Adjust items as needed
  - Due diligence as required
- Present recommendations to FCF Board, plan for formal vote on CapEx recommendations

- Small groups (if desired) currently planned for 10, 12, and 17 NOV (approximately 1.5 hours each)
  - Plan to use FCF website to reserve space
  - Optimal is  $\leq 25$  per session to facilitate best discussion
- Feedback from all meetings used to refine, finalize recommendations to FCF board
  - Notes to be formally compiled
- Use preference survey (by lot) to assist in responses
- Current plan is for board to present plan to community @ MAR 2021 annual meeting—formal vote to implement plan for 2022
  - Only 2022 is binding—all other years of each plan are recommendations for future boards to implement or modify as determined
  - Any annual dues increase for the following year (greater than 10%) must be ratified by at least 51% of the community prior to implementation
  - Any special assessment must be ratified by at least 51% of the community prior to implementation
    - CapEx recommendation is to give lot owners option to spread assessment over immediate 3-year period (e.g. FY 2022-23-24)
- Vote at the annual meeting will allow for a good bit of certainty for 2022, as well as provide time for Board to conduct needed pre-construction activities so that work can



begin as soon as possible in 2022



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CAPEX Community Presentation

8 NOV 2020

## **Feedback Session**

Questions & Answers, & Comments

- Comments on approach—"logic test"                      Any fatal flaws?
- Preference to
- Does this presentation provide enough information for the average lot owner to make an informed decision?
  - If YES—do you feel ready to vote now, or would you like to wait until the Annual Meeting
  - If NO—please provide detail, examples, etc.—what is missing or needs to be improved?



## Submitted Questions

- XXX XXXX

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CAPEX Community Presentation

*8 NOV 2020*

THANK YOU!

THANK YOU FOR PARTICIPATING!



# Fishing Creek Farm

CAPEX Community Presentation

*8 NOV 2020*

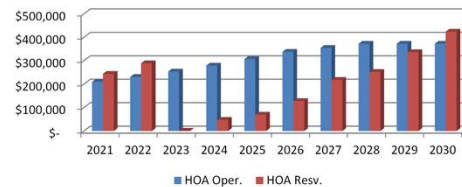
Reference Slides

THANK YOU FOR PARTICIPATING!



## Funding Option 1 – “Status Quo”

Alternative	Salient Points	Financial Translation
<b>Option 1: “Status quo/Pay as you go” model.</b> Dues to increase up to 10% per year with reserve contribution of @ 8% per year, special assessments as needed in multiples	<ul style="list-style-type: none"> <li>Keeps dues low initially</li> <li>Dues need to increase 8%-10% year/year through 2026</li> <li>Will result in reserve fund well below 70% of need for 4-5 years</li> <li>Reactive method of planning, does not address long term issues</li> </ul>	<ul style="list-style-type: none"> <li>Annual dues rise from \$1748 in 2021 to @ \$2800 in 2026, and \$3104 by 2030.</li> <li>Reserve fund is depleted by 2023.</li> <li>Requires special assessment of \$16K in 2022 to keep reserve solvent *</li> <li>If minimum reserve of \$200,000 desired, additional funding of @ \$573,000 (\$4755/lot) needed through 2030</li> </ul>

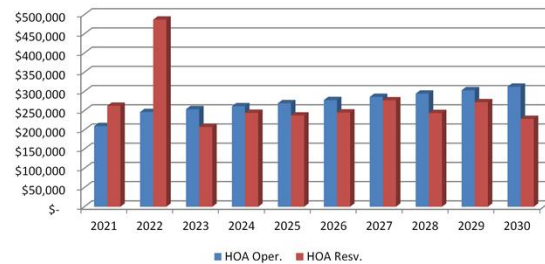
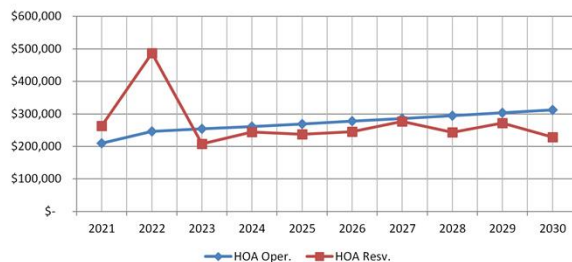


- Plan allows for a “roadmap” for future boards and community
- Intent is to have predictable finances to meet capital requirements
- Projected HOA Reserve Replacement Account is @ \$218K in 2022
- Status Quo
  - Reserve funds very, very low 4 years-- 2023-2026
  - Major reserve replacement accomplished through special assessments, may be unanticipated if needed in 2023-2026 years
  - Dues continue to escalate yearly through 2028 (avg. 7%)



## Funding Option 2 – “Hybrid”

Alternative	Salient Points	Financial Translation
<b>Option 2: “Hybrid” model.</b> Uses a one time dues increase of 17.5% (thereafter dues increases average 2.4% until 2030), special assessments used to fund reserves in high demand years	<ul style="list-style-type: none"> <li>Annual dues escalation &lt; 5% for 8 years.</li> <li>95% of annual increase to reserve.</li> <li>Special assessment in 2022, next special assessments programmed for 6 to 7-year intervals.</li> <li>Reserves maintain minimum of \$200,000</li> <li>Provides stability &amp; predictability</li> </ul>	<ul style="list-style-type: none"> <li>Annual dues rise from \$1748 in 2021 to \$2054 in 2022, rise to @ \$2602 in 2030.</li> <li>Special assessments of \$96,000 (\$800/lot) in 2022 and \$72,000 (\$600/lot) in 2030</li> <li>Reserve fund is maintained at minimum of \$200,000 and all capital projects performed</li> </ul>



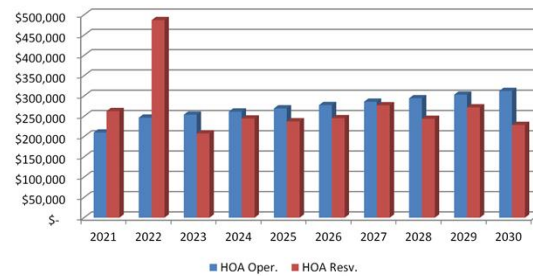
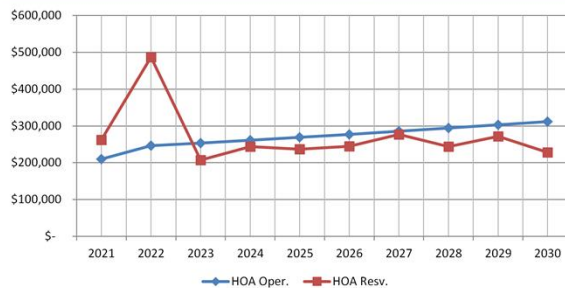
- Plan allows for a “roadmap” for future boards and community
- Intent is to have predictable finances to meet capital requirements
- Projected HOA Reserve Replacement Account is @ \$218K in 2022
- Hybrid Model
  - 17.5% increase in 2022, dues increases avg. 3% through 2030
  - Two special assessments (\$800/lot) 2022 and (\$600/lot) 2030
  - Reserves maintain minimum balance of \$200K





## Funding Option 3 – “Fully Funded”

Alternative	Salient Points	Financial Translation
<b>Option 3: “Fully funded” model</b> All operating and reserve expenses are funded through the annual dues.	<ul style="list-style-type: none"> <li>Dues are sufficient to cover all known needs and not change every year. Most equitable for people coming and going. It avoids surprises.</li> <li>Reserves maintain minimum of \$200,000</li> </ul>	<ul style="list-style-type: none"> <li>Annual dues rise to \$2622/year in 2022, stay flat until 2032</li> <li>No special assessments forecast</li> <li>Reserve fund is maintained at minimum of \$200,000 and all capital projects performed</li> </ul>



- Plan allows for a “roadmap” for future boards and community
- Intent is to have predictable finances to meet capital requirements
- Projected HOA Reserve Replacement Account is @ \$218K in 2022
- Fully Funded model
  - Follows Miller+Dodson guidance
  - 50% dues increase in 2022—No dues increases until 2032
    - Avg. dues increase 5% 2021-2030
  - No special assessments until @ 2035 (\$800/lot)
  - Reserve fund maintains minimum \$200K balance (except for 2023-\$186K)



## CapEx 2.0 Methodology & Approach

### Asset Priority

1	Most Significant	Critical to Life Safety Serious Risk to FCF if maintenance deferred
2	Very Significant	Substantial Risk if maintenance is deferred, and/or major community asset with high benefit/use to virtually entire community
3	Significant	Moderate risk if maintenance is deferred, and/or asset used by most of community
4	Less Significant	Little risk if maintenance is deferred, and/or appreciated by most members, partial use by most of community
5	Minor Significance	Deferrment does not affect risk profile, and/or affect community quality of life

### Repair Urgency

1	Immediate Need - No Delay
2	Repair in 6 Mo. Or less
3	Repair > 6 Mo., < 18 Mo.
4	Repair > 18 Mo., < 3 Years
5	Repair > 3 Years, < 5 Years
6	Repair > 5 Years, < 10 Years
7	Repair > 10 Years

Example from Asset Priority analysis spreadsheet—basis for financial model

- Each FCF capital asset was ranked based on priority to the community and remaining useful life/repair urgency



## CapEx 2.0 Methodology & Approach

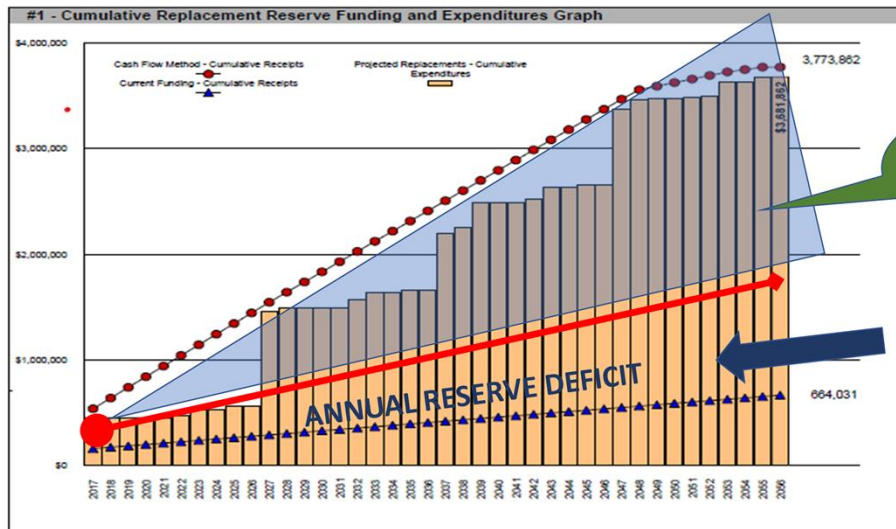
Item	Description	M-D 2017 Repair Urgency (2020)	CAPEX CONSENSUS	Finance Notes	Econ. Life	2020 Remain. Life	Quantity	Unit Repl. Cost	Repl. Cost	Notes	Interest Inflation	2021				2022			
	Diff. 2017-1988										3.50%								
											2.50%								
												Res. Income	Expense	Line balance		Res. Income	Expense	Line balance	
1	Asphalt pavement, deep patch & overlay	6	3	NLT 2023	20	6	3,340	\$ 12.00	\$ 40,080.00	next 5-7 yrs?		\$ 20,700.00		\$ 20,700.00		\$ 21,424.50	(\$42,108.05)	\$ 15.45	
2	Asphalt pavement, 2" mill & overlay	6	7	2043? Based on full repl 2023	20	6	3,340	\$ 5.00	\$ 16,700.00	10 years > deep patch, etc.		\$ 1,650.00		\$ 1,650.00		\$ 1,707.75		\$ 3,357.75	
3	Asphalt pavement, sealcoat	1	5	Performed every 3-4 yrs. Continuous	5	-3	3,340	\$ 0.60	\$ 2,004.00	crack fill & seal needed immediately		\$ 358.00		\$ 358.00		\$ 370.53		\$ 728.53	
10	Path Signs & misc. components (allowance)	3	4	HOA to add to Oper. Budget for 2021	10	1	1	\$ 1,545.00	\$ 1,545.00	Min. 5-yr major rehab schedule needed given greater use 2019 work cost?		\$ 176.00		\$ 176.00		\$ 182.16		\$ 358.16	
13	Cherry Tree Lane shoreline revetment	3			10	1	225	\$ 650.00	\$ 146,250.00	AACO help vic. Gabion and road narrow area? See photos will help marina				\$ -		\$ -		\$ -	
14	CTL Bulkhead, replace capboard	1	4		20	-4	242	\$ 10.00	\$ 2,420.00			\$ 2,517.00	(\$2,542.51)	\$ (25.51)		\$ 123.00		\$ 97.49	
15	CTL Bulkhead, Replace	6	6		30	10	242	\$ 1,250.00	\$ 302,500.00			\$ 34,500.00		\$ 34,500.00		\$ 35,707.50		\$ 70,207.50	
16	Strmtr. Mgmt. str. (allowance)	3			10	1	16	\$ 1,500.00	\$ 24,000.00					\$ -		\$ -		\$ -	

Example from Asset Priority analysis spreadsheet—basis for financial model

- CapEx assigned consensus values to each asset, modified projected repair/replacement based on analysis, and projected expenses into corresponding year
- CTL bulkhead factored at 15% cost probability, with intent to perform minor repairs (as needed) while ownership issue is resolved with AACO
- All costs for each year were summed—those yearly expenses are shown in each financial model under the line item “Contribution to Capital Projects”



## The CAPEX Challenge (2017 M+D Study)



2017 M+D study includes stone revetment—back out for current work—discount +/- \$2.8MM

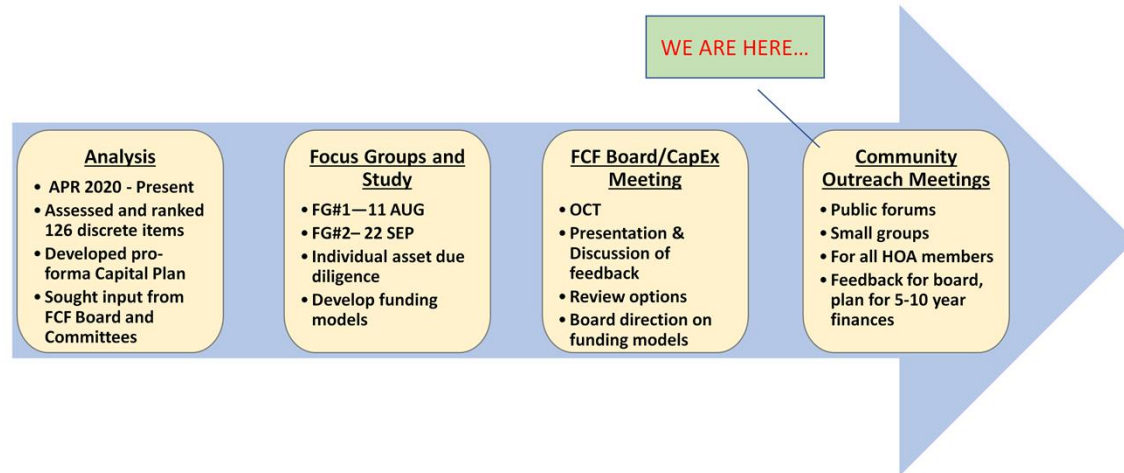
M+D assumes Reserve Account brought to baseline of \$370K (this was not implemented)

Red line represents projected funds needed (less Fish Hook Shoreline Erosion Control)

Still at least \$1.6MM underfunded for full FCF assets—based on ROM from M+D 2017



## CapEx Work to Date and Future Plan





## Appendix





## Appendix

