

CapEx has been meeting weekly for 4 months now... Some HOA members wonder what the team is doing. These sentiments were echoed by a focus group the CapEx committee conducted on August 11, 2020. Given this feedback, here is a brief outline of CapEx 2.0, our efforts to date, future plans, and what this means to you as a member of the FCF HOA.

Background

1. The FCF CapEx (Capital Expenditures 1.0) Committee was formed by the FCF HOA Board ("Board") in early 2012; members represented a cross section of the community. The committee's main focus was to address rehabilitation of the clubhouse, fix tennis court issues, improve the community entrances and clubhouse landscaping, and start invasive species eradication.
2. The results were: full renovation of both levels of the clubhouse and additional structural improvements to create the second story alcove, a totally refurbished tennis court, much improved entrance and clubhouse landscaping and lighting, and the first phase efforts of invasive species eradication in the woods around the tennis court on Cherry Tree Lane (CTL), what most members refer to as "the Fish Hook."
 - This effort took about two full years to complete, and cost approximately \$432,000. The funds were obtained through a combination of an increased HOA annual fee and a three-year special assessment.
 - A loan was obtained to fund construction in 2012-2013. It was repaid using the special assessment income.
3. CapEx efforts have been sustained by the Board in the years since, with various meetings and discussions in the intervening years from 2014-2019. Small capital expenditures have been completed by the Board during this time as well.
4. FCF commissioned Miller+Dodson (M+D, a local firm specializing in reserve funding analysis) in 2012 as part of CAPEX 1.0. The M+D study was updated in 2017, and incorporated the community improvements completed from 2012-2017. This report is available on the FCF Website:
<https://social.fishingcreekfarm.org/groups/CapEx/documents/>
5. The Board commissioned a waterfront-specific report in FEB 2020. This was performed by BayLand Consultants, and can be found at the same FCF Website link. BayLand Consultants is also currently conducting the shoreline replacement project at the end of Cherry Tree Lane .
6. FCF HOA Replacement Reserves are significantly less than those recommended by Miller+Dodson.
 - Replacement Reserves are the community's savings for major repairs/replacements anticipated in future years
 - To date, the HOA has chosen to fund major repairs/replacements using large, one-time special assessments, as opposed to smaller incremental funding on a yearly basis (reference the Contribution to Reserves line of the annual budget)
7. What is the CapEx 2.0 mission?
 - CapEx 2.0 was established by the Board in early 2020 to evaluate the status of FCF Replacement Reserves funding, and how that impacts future year financial planning (implications for both Capital and Operations budgets).

CapEx 2.0 to Date

1. Since forming in APR, CapEx 2.0 has been researching and analyzing all of the assets listed on the M+D report (114 in total), as well as the items referenced in the BayLand report, and a couple of HOA-member

suggestions. Each of these assets has been ranked for “Asset Priority” and “Repair Urgency” using metrics developed by the committee, and each member’s rankings merged into a consensus CapEx ranking.

	Asset Priority			Repair Urgency
1	Most Significant	Critical to Life Safty Serious Risk to FCF if maintenance deferred	1	Immediate Need - No Delay
2	Very Significant	Substantial Risk if maintenance is deferred, and/or major community asset with high benefit/use to virtually entire community	2	Repair in 6 Mo. Or less
3	Significant	Moderate risk if maintenance is deferred, and/or asset used by most of community	3	Repair > 6 Mo., < 18 Mo.
4	Less Significant	Little risk if maintenance is deferred, and/or appreciated by most members, partial use by most of community	4	Repair > 18 Mo., < 3 Years
5	Minor Significance	Deferrment does not affect risk profile, and/or affect community quality of life	5	Repair > 3 Years, < 5 Years
			6	Repair > 5 Years, < 10 Years
			7	Repair > 10 Years

2. There are some areas that are the responsibility of Anne Arundel County (AACO), but have not been maintained since they were installed 30-plus years ago.
 - All Storm Water Management (SWM) structures such as the drainage swales, rip rap ditches, and gabion structures fall in this category
 - The CapEx committee is meeting with AACO to try and develop a multi-year cleaning/repair plan that addresses 30-plus years of neglect by the County
3. The bulkhead at CTL Cove needs to be discussed with AACO—while clearly outside of the AACO right of way, it does directly impact the viability of the road from 1241 to 1255 CTL.
 - If AACO does not accept some or any responsibility, this is a potential high-dollar replacement needed in the next 10-plus years (approximately \$334,000 in 2020 dollars). CapEx is investigating other (less expensive) options to defer full replacement, but these will need to be performed in the next 5-10 years.
 - CapEx is trying to resolve the ownership issue as soon as possible, and develop plans accordingly that will be included in our financial analyses and recommendations
4. CapEx continues to meet weekly, and provides a monthly activity report during the “open” session of each HOA board meeting.

Moving Forward

1. CapEx 2.0 Milestones
 - August: Complete due diligence investigations, complete financial model template(s), develop and implement communications plan for HOA member information and participation, feedback, etc.
 - September-October: Develop financial models, test assumptions, perform “what if” analyses, present test case(s) to focus group for feedback

- November: finalize models, draft recommendations for Board
- December: Present recommendations to FCF HOA

2. Why is this important to me as an FCF HOA member?

- FCF was built in the late 1980's and early 1990's. Major assets built during this time are approaching the anticipated "end of economic life" in the next 5-15 years. (reference the M+D and BayLand studies)
- Most of the high value assets listed relate to infrastructure. While generally having very long (20 years plus) economic life, they also require significant expense to replace or perform a major rehabilitation
- As a waterfront community, FCF has 9ⁱ specific areas that are affected daily by tide and wind, storms, wakes from passing boats, etc.
 - The current shoreline stabilization around the CTL Fish Hook has eliminated a significant (\$2.8MM) liability via a grant secured by the FCF Land Use committee led by Eric Sprague.
 - Other shoreline areas need similar attention in the next 3-5 years to maintain their structural viability, and/or function as Open Space or Recreational areas (as defined in our zoning).
- Additional items such as concrete structures, pool deck and structure, parking lot, Sandspit bridge, underground piping, mechanical systems, etc. all have forecast major repair or replacement requirements in the next 5-15 years—the costs will be substantial (please see M+D 2017 Study for preliminary projections of reserve replacement requirements).
- FCF HOA needs to develop a funding model that is sustainable and agreeable to the membership.
 - The plan needs to meet anticipated capital expenditure requirements
 - The funding model needs to represent preferences of the majority of the FCF community
 - The funding model needs to be implemented by the Board as part of annual financial planning
- Lack of action will mean the entire FCF HOA membership will face decisions that allow assets to degrade, or even be abandoned—either of which greatly increases risk and liability for all members

With the efforts of the CapEx committee, the Board, and each homeowner, these challenges can be addressed in a logical and reasonable manner.

Thank you for your support to date, and please do not hesitate to contact the Committee. We are happy to discuss our work, and always seek new ideas and volunteers. (CapEx@fcfcapex.org)

Sincerely;

The CapEx Committee

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ⁱ Fishing Creek Crabbing Pier and vicinity, shoreline vic. marina, shoreline from marina vic. 1234 CTL, bulkhead at CTL Cove, Fish Hook, Sandspit, HRV shoreline south of Sandspit, Southbreeze beach