

# Fishing Creek Farm CAPEX 2.0 Update

11 AUG 2020

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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.

# Participation Notes / Ground Rules

- ▶ Patience and respect, honest and open, “tactfully blunt” is OK
- ▶ Use computer audio & video—high preference for face/face
- ▶ 1<sup>st</sup> round of questions after full presentation (15 min.)
- ▶ Use chat or “hand raise” functions to note questions when possible
- ▶ Everyone will get an opportunity to speak
  - ▶ Alpha by last name / Concise comments - agree/disagree, try not to repeat looking for “added value”

Deborah Brafford	Chauncey Brooks	Colleen Clark	Kristan Dix	Eamonn McGeady	Jim Shaffer
Ed Brickley	Laurie Bruhin	Dianne Cramer	Jack/Kristin Fusco	Andy Gordon	Teresa Huckaby
Lark Marie	Sarah Pittman	Dewey Schmitt	Meera Shekar	Jacques Smith	Eric Sprague
Dave Stadler	Ruth Tieder	John Yackus		Bruce Stillwell	

# Participation Notes / Ground Rules

- ▶ Share your reactions and suggestions
- ▶ One at a time
- ▶ We can't get into all the numbers yet; we will communicate with you when we know more
- ▶ What's the message you received from tonight's discussion?
- ▶ What messages do you want to receive?

# Intro / Members / Background

## ▶ Introduction:

- ▶ Appreciate HOA Member's active participation and time – no “dumb questions”
- ▶ Simple agenda: present current activities, seek feedback and recommendations
- ▶ 30,000-foot view
- ▶ Members: Well rounded cross section of HOA owners/professionals (^Board,\*Co-Chair)

Colleen Clark^	Deborah Brafford^	Kristan Dix
Chauncey Brooks	Eamonn McGeedy*	Jim Shaffer*

## ▶ History:

- ▶ CAPEX 1.0 formed/operated 2011-2013 to focus on Clubhouse and Tennis Court renovations, address Invasive Species, additional landscaping
- ▶ Initiatives to review overall financial position, focus on capital assets and long-term funding of reserves
- ▶ Historically, larger, multi-year assessments have been preferred by HOA in lieu of smaller annual contributions to Reserve Fund every year
- ▶ CAPEX 2.0 evolved from previous contributions since 2013

# FCF: Did you know...

- ▶ Originally developed in mid/late 1980's
  - ▶ 120 lots, approximately 150 total acres (+/- 100 acres of Open Space)
  - ▶ FCF HOA has one of the highest number of amenities and most Open Space/capita than comparable communities in the Annapolis area
- ▶ Amenities include:

Clubhouse with full kitchen and WIFI	Pool with 6-ft. depth and WIFI	Separate Children's Wading Pool	Concrete Boat Ramp with finger piers	Jet Ski Dock
3-Season "Sunset" Deck	39-Slip Marina (vessels from 15-50 LF LOA)	100 LF of Transient Dock Space	Tennis Court and Two Pickleball Courts	Small Boat Dockage
Fishing/Crab Pier	almost 1 mile of wooded walking paths	Private Sandy Beach	Waterfront Activities Platform	Pumpout Pier

# CAPEX 2.0 Mission

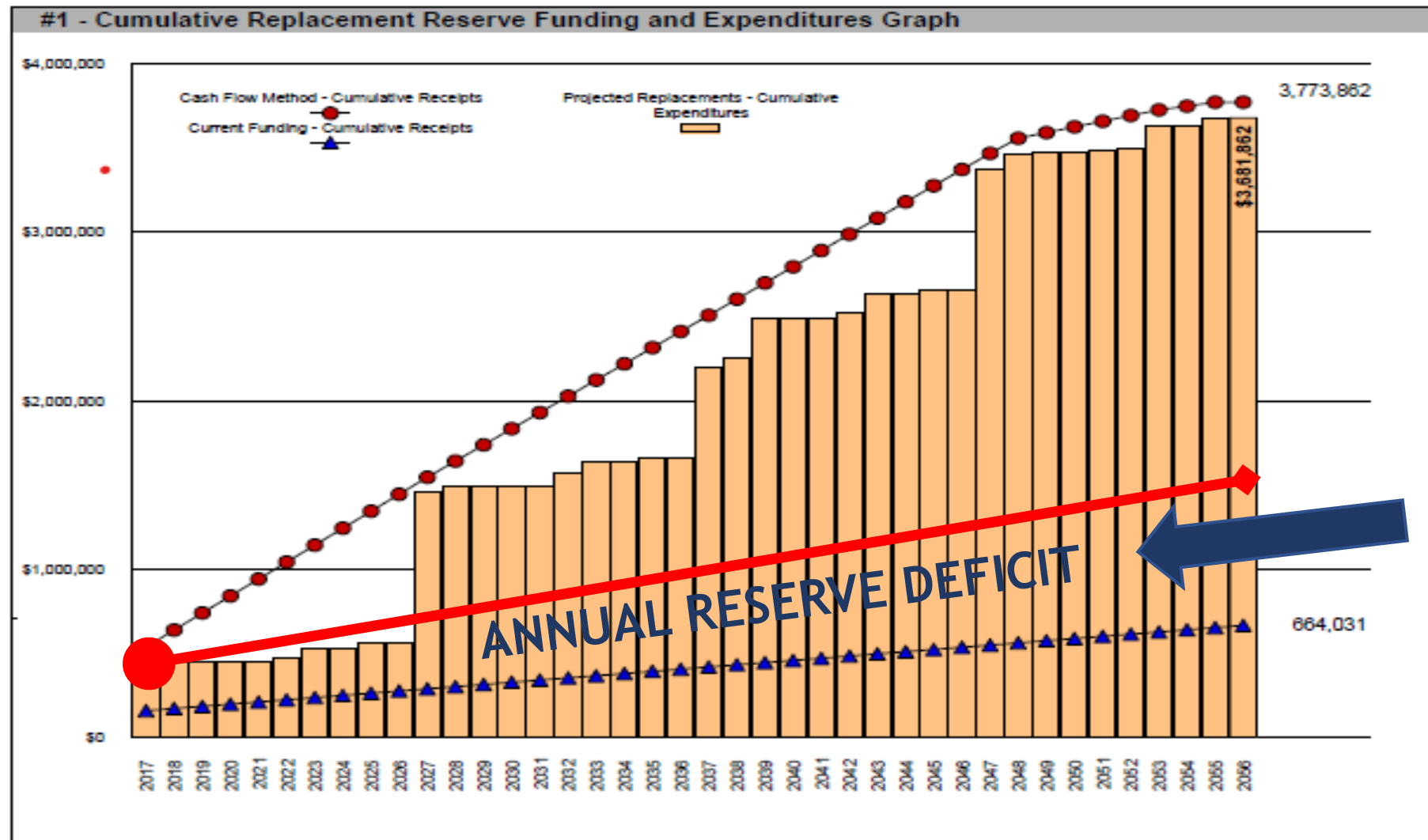
- ▶ Provide recommendations for:
  - ▶ Meeting documented capital project needs
  - ▶ Addressing other strategic asset issues (as directed by Board)
  - ▶ Evaluating potential HOA member-recommended improvements (if possible)
- ▶ Address in a collaborative, inclusive, factual and transparent manner.
- ▶ Complete process and present recommendations to HOA Board
  - ▶ 5-10 year “map” for addressing Capital improvements
  - ▶ Address other “long-term” responsibilities (>10 years)
  - ▶ Funding and implementation plan(s)
  - ▶ Timing TBD—framework of plan to Board late 2020/early 2021

# The CAPEX Challenge

- ▶ **FCF as a community has seriously underfunded annual reserve contributions since the HOA's inception (30 years' deficit)**
  - ▶ Larger, major assets on the declining side of “useful life” or “end of useful life”
    - ▶ Ref.: Miller + Dodson APR 2017 Reserve Study Update
    - ▶ Ref.: BayLand Consultants Shoreline Evaluation FEB 2020
  - ▶ Underfunded reserve replacement funds will drive significant financial decisions over the next 5-10 years
  - ▶ Lack of funding will decrease overall community Quality of Life
- ▶ **CAPEX 2.0 not as “sexy” as CAPEX 1.0, where Clubhouse, Tennis Court, etc. were easy to see as contributing to Quality of Life**
- ▶ **CAPEX 2.0 is more “infrastructure” oriented—many of the studied assets the community takes for granted, yet they still require funding for maintenance, repair, and replacement**
  - ▶ Asphalt paving, mechanical equipment, entrance portals, etc.
  - ▶ 3<sup>rd</sup> party interface is required—e.g. AACO for roadways and drainage structures



# The CAPEX Challenge (2017 M+D Study)



# 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 budget complementary function
    - ▶ Long term value plan and sound annual budgets work together
  - ▶ Must address the reserve shortfall issue—largest liability to future of community
    - ▶ Lack of action will seriously impact home sales and quality of life
    - ▶ Savvy buyers will quickly see liability for large and on-going assessments for repair that should have been dealt with years past
- ▶ Review impacts of 3<sup>rd</sup> party obligations on FCF community as a whole

# 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	(\$42,109.05)	\$ 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	Stmwtr. Mgmt. str. (allowance)	3			10	1	16	\$ 1,500.00	\$ 24,000.00					\$ -		\$ -		\$ -

# CAPEX 2.0 Methodology & Approach

- ▶ Not all bad news...
  - ▶ Significant efforts by Land Use Committee (Eric Sprague) have virtually eliminated liability related to “Fish Hook” erosion
  - ▶ Recent CAPEX investigations with AACO show promise for relief of some stormwater drainage issues
  - ▶ FCF Board, Committees, Tidewater Management Co. actively engaged
- ▶ Schedule: (Weekly meetings, topically focused)
  - ▶ MAY: Review, discussion: Miller+Dodson Reserve Study update (2017), BayLand Consultants Waterfront Recommendations (FEB 2020), other due diligence to “understand” the issues
  - ▶ JUN-JUL: Asset review and repair prioritization, community ideas solicited, meetings with 3<sup>rd</sup> parties (AACO, contractors, consultants, etc.)
  - ▶ AUG-SEP: Capital and Operational budget review
  - ▶ OCT-NOV: draft recommendations to HOA Board

# Next Steps

- ▶ Shift from asset investigation and due diligence to financial study
  - ▶ Review outcomes projected from asset prioritization
  - ▶ Define elements needed for modeling (term, rates, timing, method of payment, etc.)
  - ▶ GO/NO GO on community-proposed initiatives—recommend deferral for those with merit but outside scope of CAPEX 2.0
  - ▶ Build funding models, Pro-Forma budgets with differing scenarios
- ▶ Complete recommendations for Board budget planning
  - ▶ Community feedback regarding financial support preferences
  - ▶ Further communicate severity of Reserves issue ([referendum on dues/assessments?](#))
  - ▶ Include implementation plan to serve as guidelines for future FCF Boards to implement

# Feedback / Recommendations

- ▶ Mission and Defining the “Challenge”
  - ▶ Detail—more/less? Numbers vs. text descriptions? Understandable
  - ▶ **Best method to present severity of deficit and funding needs?**
- ▶ Approach
  - ▶ Methodology? Process? Scope? Something missing?
- ▶ Progress to Date
  - ▶ Community expectation for outreach—“Open House” or other event?
  - ▶ How to present financials for “numbers” and “non-numbers” constituents?
- ▶ Proposed Future Actions
  - ▶ Recommendations presented to HOA--what elements do you need to see to make an informed decision?
  - ▶ How much detail? High-level vs. Line item? Functional grouping?

# Feedback / Recommendations

- ▶ Provide feedback after the meeting:
  - ▶ [capex@fcfcapex.org](mailto:capex@fcfcapex.org)
  - ▶ [jimshaffer@jimshaffergroup.com](mailto:jimshaffer@jimshaffergroup.com)

The background features abstract blue geometric shapes, including triangles and polygons, in various shades of blue, creating a modern and professional look.

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# THANK YOU!



