



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.



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
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Major Funding Alternatives-Three Proposed Options

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



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