

Fishing Creek Farm Homeowner Association

To: Board of Directors -- Fishing Creek Farm Homeowner Association (FCF HOA)
From: Capital Expenditures Committee 2.0 (CapEx)
Date: February 10, 2021
Subject: Final Report and Recommendations, Long-Term Capital Plan

Executive Summary:

The CapEx 2.0 committee studied the capital assets and finances of the Fishing Creek Farm Homeowner Association from March 2020 to February 2021. The committee used multiple sources including: FCF historical financial reports, formal consultant studies, virtual focus groups and “town hall” meetings, surveys, individual phone calls, and internal discussions and analyses.

Findings revealed the FCF HOA current level of reserves are significantly underfunded compared to industry recommendations, and capital asset management is not a priority consideration. There is a high reliance on special assessments to meet large capital asset funding requirements (repair/replace).

The committee developed a complex Reserve Model Analysis spreadsheet and ranked all assets in the community in terms of their condition and importance. The ratings were then analyzed against projected costs, with the result being a proposed long-range capital plan (budget) that meets anticipated capital project needs for ten (10) years and more.

The committee developed three funding models to finance the capital plan:

Option 1 “Status Quo”:	<ul style="list-style-type: none">• Raise annual dues to \$1911 (10%) in 2022, continue increase of 10%/year until 2027, 5% annual increase through 2029• Special assessments whenever required to meet capital asset needs
Option 2 “Hybrid”:	<ul style="list-style-type: none">• Raise annual dues to \$2041 (17.5%) in 2022, maximum 3% increase annually through 2029• Special assessment of \$800/lot in 2022, no special assessment planned again until 2030
Option 3 “Fully Funded”:	<ul style="list-style-type: none">• Raise annual dues to \$2606 (50%) in 2022, no annual dues increases projected until 2032• No special assessments projected until 2035

CapEx 2.0 key recommendations:

- Ensure CapEx remains an active committee of the board
 - The committee will be responsible for developing, planning, and implementing capital projects in accordance with board direction and the capital plan developed by CapEx 2.0.

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- The CapEx committee will work with the HOA Treasurer to prepare the capital budget
 - Establish “guard rails” to encourage future boards to spend funds as intended.
 - Use the CapEx 2.0 plan as the baseline for all capital planning and expenditures in future years, with the CapEx committee recommending changes/modifications to the board annually
 - Present Option 2 (“Hybrid”) funding model to the community for a vote as soon as possible (no later than MAY 2021), with a strong board recommendation that it be accepted. This model is based on a 17.5% annual dues increase and a special assessment of \$800/lot for 2022.
 - Continue engagement with Anne Arundel County (AACO) regarding drainage and bulkhead issues
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1. Background

- a. At the request of the board of directors, CapEx 2.0 was formed in March 2020 to analyze the HOA’s existing capital assets and associated funding. The board did not engage a 3rd party reserve study consultant due to financial constraints at the time.
- b. The committee’s goal was to develop a 10-year capital plan that addressed current and anticipated capital funding requirements, and recommend a financial payment model for the board to present to the Fishing Creek Farm Homeowner Association (HOA) for approval.

c. Members of CapEx 2.0 were¹:

Deborah Brafford

Chauncey Brooks

Colleen Clark

Kristin Dix

Eamonn McGeady

Jim Shafer

Dave Stadler

• Members’ expertise include:

Finance

Operations

Budgeting

Strategic Planning

Civil

Construction

Legal

Strategic Communications

Corporate and Non-Profit

Management

- d. The committee performed its analysis and due diligence using a variety of sources, as well as its own research, outreach efforts, and internal discussions. These included:

- i. Miller+Dodson Reserve Study Reports (2012 and 2017)

¹ Eamonn and Dave were Co-Chairs
CapEx 2.0 Final Report

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- ii. Bayland Engineering Associates Condition Report (2020)
- iii. Anne Arundel County “As-Built” Road and Drainage plans (dated 6-18-99)
- iv. Current Anne Arundel County plan for FCF subdivision, including individual lot plats
- v. Consultation with other FCF HOA committees (Pool, Tennis Court, Land Use, etc.)
- vi. Conversations with HOA members throughout the months
- vii. Engagement and continuing discussions with the Anne Arundel County Department of Public Works (AACO DPW)
- viii. Discussion and input from the HOA board on a monthly basis
- ix. Consultation with selected contractors
- x. Committee research
- xi. Two (virtual) focus group meetings and four (virtual) community meetings
- xii. Monthly written reports to the board of directors, including oral presentations and participation in question and answer sessions with community at large
- xiii. Committee member personal calls to selected homeowner’s to gather feedback on finance options
- xiv. A non-binding finance option survey of all HOA lot owners
 1. The survey had a 63% response rate (75 of 120 lot owners)
 2. The survey summary and analysis is included as Appendix 1
 3. Option 2 – Hybrid model received the highest favorability rating: 85% (favorability rating is addition of 1st, 2nd, and 3rd choice preference)
- xv. Conclusions from Survey Analysis
 1. The Hybrid Model (Option 2) had the most support overall. Over 85% of respondents ranked it as an acceptable choice, only 15% as unacceptable.
 - a. The committee was in unanimous agreement that this option should be recommended to the board of directors and presented to the full community for a vote.
 2. People are very interested in supporting the assets and home values.
 3. Maintaining the Status Quo (Option 1) had very little support and would likely not be supported by a majority of homeowners.

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4. The Fully Funded model (Option 3) had the most support as the first choice but also had the highest number of people who voted it as unacceptable.
5. Given the long-term nature of this decision a significant number of homeowners raised an issue around trust in the comments. In response we should establish guard rails for future Boards to be sure that funds are spent as intended.

Relevant documents are posted on the FCF Website: <https://social.fishingcreekfarm.org/groups/capex/documents/>

2. Process and Analysis

- a. CapEx 2.0 started meeting in March of 2020, and met an average of three times per month through February 2021. Meeting agendas and minutes were used extensively. All key committee documents were saved to the FCF SharePoint site.
- b. In order to organize the capital assets, the committee adopted the 2017 Miller+Dodson (M+D) Reserve Study Report as a baseline. Additional items were included as identified by the 2020 Bayland Engineering (BL) report, and committee member analysis.
- c. The M+D financial model was “normalized” to 2020 baseline costs, and repair frequency was established per their recommendations
- d. The committee developed ranking systems to classify the capital assets in terms of current condition and utility to the community (See Appendix 2 – Asset Ranking Criteria). These rankings were then applied to 132 discrete entries compiled from the M+D, BL, and committee member input.
 - i. Each asset was ranked individually by committee members, and then a consensus ranking was developed for each item upon group discussion. The consensus ranking was then applied to each item, and
 1. No critical need items were identified those assets posing immediate danger to health/safety requiring immediate repair, or repair in less than 12 months.
 2. Each item was compared to the M+D report for repair frequency, and the committee developed consensus recommendations to advance, maintain, or defer funding for each item
 - ii. Each line item asset funding plan (required minimum reserve and projected expenses) were determined. Projected funding for each asset starts in 2022, and extends a minimum of 20 years.

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- iii. Projected annual requirements are summarized for 2022 and continued for a minimum of 20 years.
- e. The committee sought technical advice as needed from various contractors and consultants, especially concerning paving repairs, tennis court refurbishment, shoreline protection, bulkhead and boat ramp repairs,
- f. The committee engaged in many discussions with key representatives from the Anne Arundel County Department of Public Works concerning the CTL bulkhead and storm drainage issues related to the public roads and structures within the community
- g. During the entire period, the committee has been pro-active and transparent in outreach to the FCF community. These included monthly updates presented in open forum to the board of directors, formal and informal discussions, targeted e-mails, and personal outreach by the committee members.
- h. As a final outreach in January 2021, the committee offered a survey for all lot owners to express their preferences on the three funding models. 63% of lot owners responded. Option 2 (“Hybrid”) was preferred as a first or second choice by 84% of those responding.

3. Considerations and Recommendations

- a. In general, the bulk of capital assets in the Fishing Creek Farm community are in fair condition.
 - i. Except for the Clubhouse renovation of 2010-12, there have not been any significant capital expenditures by the community.
 - ii. There is increasing risk of accelerated deterioration due to the age of many of these structures.
- b. The community’s reserve account funding procedure is not adequate to meet projected future demands without high reliance on special assessments.
- c. Capital projects planning process

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- i. The board currently does not have a formal process for evaluating and planning for long-term capital needs. There is currently no formal plan for capital expenditures included in the annual budget process.**
 - ii. The board should formally adopt a long range capital plan that incorporates yearly recommendations for capital asset repair or replacement.**
 - iii. The board should annually review the capital plan, and adjust proposed capital expenditures as needed (advance, maintain, or defer planned expenses)**
 - iv. Proposed capital expenditures should be discussed and detailed as part of the annual budget preparation**
 - v. Establishing a standing CapEx committee to analyze and make recommendations concerning capital projects and finance**
- d. Discussion of specific strategic assets**
- i. Cherry Tree Lane CTL) Bulkhead:**
 - 1. This is the most important and potentially highest funding liability for the community.**
 - 2. Resolution of ownership is needed as soon as possible.**
 - 3. The primary issue is whether Anne Arundel County owns the structure, and therefore is responsible for maintenance and replacement, or if FCF HOA is the owner and therefore responsible**
 - 4. Factors:**
 - a. The bulkhead appears to lie entirely outside of the existing AACO Right of Way**
 - b. The bulkhead was built during development of FCF subdivision to support that section of Cherry Tree Lane, and is included in the “As-built” Road and Storm Drainage plans**
 - c. Cherry Tree Lane is identified as an AACO-maintained roadway**
 - 5. As of December 2020, AACO has surveyed the bulkhead and is reviewing the issue internally with the intent to resolve with FCF HOA.**
 - 6. The current capital plan does not envision funding the bulkhead within the next 8 years. Funds are allotted in 2025 for minor repairs (if required).**
 - ii. Southbreeze Beach Shoreline Protection**

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- 1. Similar to the beach protection performed in 2020 at the shoreline at the end of Cherry Tree Lane and circling to the CTL bulkhead, the shoreline/beach at the end of Southbreeze Lane is in danger of being breached, and thus depriving the FCF community of a valued shoreline asset.**
- 2. The Bayland Engineering report of 2020 recommends building a shoreline protection system very similar to the ones the community already has in place at Cherry Tree Cove and the end of CTL.**
 - a. Cherry Tree Cove shoreline protection was funded by a grant in 2009/10 from the Chesapeake Bay Trust and by FCF HOA reserves.**
 - b. CTL shoreline protection was funded in 2019 by a grant from the State of Maryland**
- 3. Funding Southbreeze shoreline protection is of a similar decision to the previous projects, where the community recognized the need to keep a key asset from being irretrievably lost.**
- 4. The Board should investigate funding from other sources, similar to the grant program used to complete the Cherry Tree Cove and CTL shoreline protection projects.**
 - a. Many HOA members commented that this beach is a very important asset, and want to see it maintained for future community use.**
 - b. In addition to shoreline protection, a more stable path needs to be provided to allow for easier access.**

iii. Tennis Court

- 1. The tennis court has become more popular in the past year, and has attracted additional users for pickleball.**
- 2. The court has a root intrusion issue at the northwest corner that presents a tripping hazard and thus a liability to the community**
- 3. Funding was added in 2023 to address this issue, but cost adjustments may be needed when contractor bids are received.**

iv. Pool

- 1. The pool structure appears to be in good condition overall**

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2. The pool deck cracks and spalling should be addressed as soon as possible.
3. The coping and waterline tiles should be repaired on a regular basis to prevent further damage.

v. Clubhouse

1. The clubhouse is in very good condition, and has fared well since the renovations performed in 2013.
2. Cleaning and painting of the exterior walls and handrail should be evaluated annually and performed as necessary to extend their life and reduce major repair expenses.

vi. Community-wide storm drainage

1. The committee started a dialogue with the DPW, resulting in the County starting to clean drainage swales within the community (north side of Cherry Tree Lane), and planned replacement of double culvert and gabion flow structure on Thomas Point Court.
2. Board should maintain liaison with DPW and continue to press for all drainage structures to be refurbished or replaced over the next 3 years.

vii. Boat ramp

1. The structure of the boat ramp is in good condition, but its current configuration is not conducive to effective use
2. The ramp does not have a stop log at the end; therefore trailers can ride over the edge and become lodged. This condition may cause significant damage to a trailer (and boat if onboard), and also cause blockage of the ramp.
3. The current pitch of the ramp needs to be adjusted to better allow efficient operations, as well as possibly being extended to allow for better use during low tides.
4. Repair/replacement to the boat ramp will enhance its use by the entire community, as well as by first responders such as the US Coast Guard and the AACO Fire Department Dive Rescue team.

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5. Any capital repairs to be shared between Marina and HOA

viii. Crabbing pier

1. While the crabbing pier structure is in generally good condition, access to the pier has become increasingly difficult. The inboard end of the pier is flooded during normal high tides, and now has a substantial drop-off where the original ground was ramped to provide access.
2. The committee recommends constructing approximately 24 additional feet (4 bents) inboard of the existing structure to provide better access during a wider range of tidal events.
 - a. This will require a multi-year effort to obtain needed permits, contracts, and execute the construction.

ix. Open Space and Paths

1. CapEx 2.0 gained valuable insight regarding HOA member preferences regarding the community's dedicated open space and the existing network of paths.
2. As related in various feedback sessions, a strong majority of members say they use the paths regularly, and would like to see them improved to provide better access to the open spaces of the community.
3. While the current Reserve Model Analysis includes a small amount for trail improvement, the board should consider increasing both the funds required and accelerating the timing of the Open Space and Paths line item. The committee recommends the board engage the Land Use committee to further this initiative.

In closing, the CapEx 2.0 committee members would like to thank all of the members of the FCF HOA who provided valuable insights, feedback, and time in helping the committee achieve its goals.

Sincerely;

CapEx 2.0

Eamonn McGeady Dave Stadler Deborah Brafford Colleen Clark

Chauncey Brooks

Kristin Dix

Jim Shafer

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Appendix 1: Annual Dues and Reserve Funding Survey Analysis

Appendix 2: Asset Ranking Criteria

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Appendix 1 – Annual Dues and Reserve Funding Survey Analysis

The CapEx Committee would like to thank all the homeowners that completed the recent non-binding reserve funding model preference survey, as well as the homeowners who provided comments and feedback over the last few weeks.

Below is a summary of the survey as of February 2, 2021. The survey period ran from January 7 to January 31, 2021. If you have any questions about the process, please contact any of the CapEx Committee members (individual contact info is listed at the end).

About the Survey

- An introductory email with link to complete the survey was sent to all homeowners on January 7. A reminder was sent on January 21 via email and individual outreach was done by the CapEx committee members to investigate potential reasons for an initial low response rate.
- The overall response rate was 63% (75/120 Lot owners)
 - CapEx requested that survey recipients consult with other members of their household and submit only one set of responses per household. Responses were verified using current owner information.
- The survey included 4 specific questions to determine which funding model homeowners preferred:
 - Questions 1-3: For each of the proposed annual dues and reserve funding models (Status Quo, Hybrid and Fully-funded), responders were asked to indicate if the particular model was:
 - their preferred choice
 - acceptable as a second choice
 - acceptable as a 3rd choice or
 - unacceptable
 - Question 4 asked for questions, comments or concerns regarding the proposed funding models.

Final Survey Results (Questions 1-3)

Data compiled at close of February 2, 2021		
<p>“How you would describe Option 1: Status Quo?”</p> <ul style="list-style-type: none"> • Preferred: 25% • Acceptable as 2nd choice: 16% • Acceptable as 3rd choice: 29% • Unacceptable: 29% 	<p>“How would you describe Option 2: Hybrid Model?”</p> <ul style="list-style-type: none"> • Preferred: 37% • Acceptable as 2nd choice: 45% • Acceptable as 3rd choice: 3% • Unacceptable: 15% 	<p>“How would you describe Option 3: Fully-funded Model?”</p> <ul style="list-style-type: none"> • Preferred: 36% • Acceptable as 2nd choice: 23% • Acceptable as 3rd choice: 8% • Unacceptable: 33%

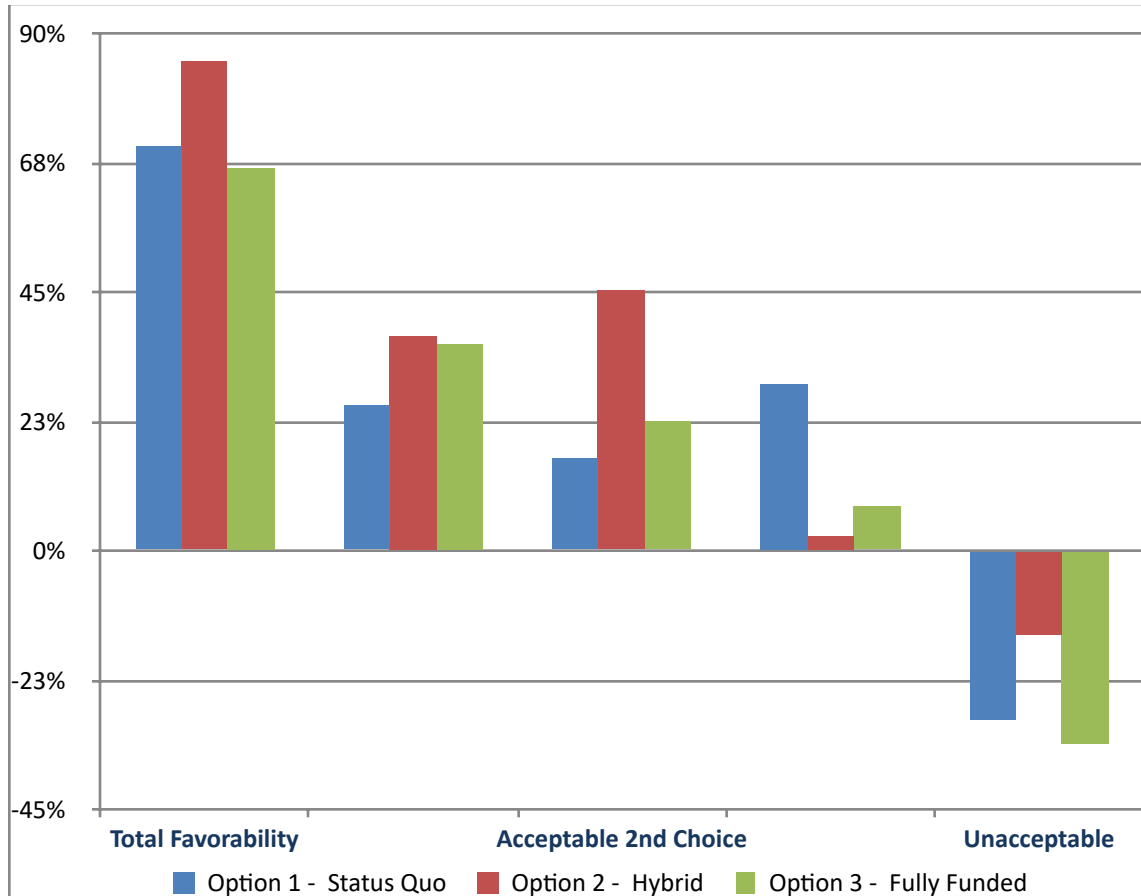
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- Using the data in the table above, the committee determined a “favorability” rating for each option by summing positive responses (Preferred + Acceptable as 2nd + Acceptable as 3rd), with the following results:
 - Option 1: Favorability rating: 71%
 - Option 2: Favorability rating: 85%
 - Option 3: Favorability rating: 67%

Thus, Option 2 – Hybrid Model was clearly favored by a majority of those participating in the survey, and had the least negative response as well.

These same ratings are presented graphically on the following chart:

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Summary of Responses to Question 4: “Thoughts, questions, suggestions, or concerns” (34 comments received)

- Fishing Creek Farm is fortunate to have homeowners who really value the unique amenities afforded by our location.
- Many comments on the high value placed on specific assets/amenities and desire to ensure adequate funding to keep in top condition.
- Concern if reserves not fully funded, would have negative impact on the community’s amenities which would negatively affect home values and quality of life. Belief we should make maximum investment in the community.
- Concern over dues increases, affordability, and possible negative effect on viability of the community to complete with other neighborhoods in the future.
- Funding needed is reasonable for the amenities we enjoy and beautiful neighborhood in which we live.
- Belief that big-ticket items should require approval by an assessment.
- Concern that models only cover existing assets/amenities and do not include any potential new initiatives desired by homeowners.
- Need affirmation by the Board on annual basis that CapEx recommendations/funding model followed per plan and improvement presented to the community through budget process.

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- Comments about equity and concern that special assessments don't fairly spread costs amongst homeowners, depending when they are levied and who is living in the neighborhood at the time.
- Belief strong reserve funding program proves strength of the HOA and value placed on maintaining the community.

Next Steps

- The Capex Committee will utilize these survey results as well as previous outreach, research, and analyses to make its funding model recommendation to the board by February 10.
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Appendix 2—Asset Ranking Criteria

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<u>Asset Priority</u>		<u>Repair Urgency</u>
1	Most Significant Critical to Life Safety 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 Deferment 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