

10 YEAR COMMUNITY CAPITAL PLAN



JUNE 7, 2022

WHY THE NEED FOR A BHP ALL ASSOCIATION MEETING IN JUNE?

TO OPENLY COMMUNICATE AND EXPLAIN THE TEN-YEAR CAPITAL PLANNING PROCESS, THE VALIDATION OF DATA USED AND THE RESULTING FUNDING PLAN FOR BLUE HERON POINTE.

WE ALSO PROVIDE A NEAR TERM CAPITAL PROJECT UPDATE

“We are stronger when we listen, and smarter when we share.”



MONTHLY ASSOCIATION FEES VS CAPITAL RESERVE REQUIREMENTS

WE TREAT THE 2 FINANCIAL COMPONENTS AS COMPLETELY DIFFERENT POOLS OF MONEY THAT ARE REQUIRED TO MAINTAIN, REPAIR AND REPLACE COMMUNITY PROPERTY



BLUE HERON POINTE 2022 INCOME VS EXPENSE

Statement Items	2002 Amount Budget	Explanation
Income	\$800,301.00	\$475 x 12 months x 140 = \$798,000
Administrative Exp	\$53,100.00	Metro, Legal, Website, Accounting, etc
Building Maintenance Exp	\$183,250.00	Drywall, chimney, electrical, siding, paint, garbage, roofs
Grounds Maintenance Exp	\$407,574.00	Docks, gazebo, walks, plumbing, signs, snow, lawn, sprinklers, etc
Insurance Exp	\$39,000.00	
Lake Health/Maintenance	\$33,250.00	Leach and Catch basins, dredging, fountains, well, etc
Misc Exp	\$1,000.00	
Social Exp	\$1,600.00	Welcome gifts, ABC, garage sale, etc
Utilities Exp	\$18,000.00	Electricity
Total Expense	\$735,174.00	
Surplus/(Deficit)	\$65,127.00	10% required to fund reserve account for unforeseen issues

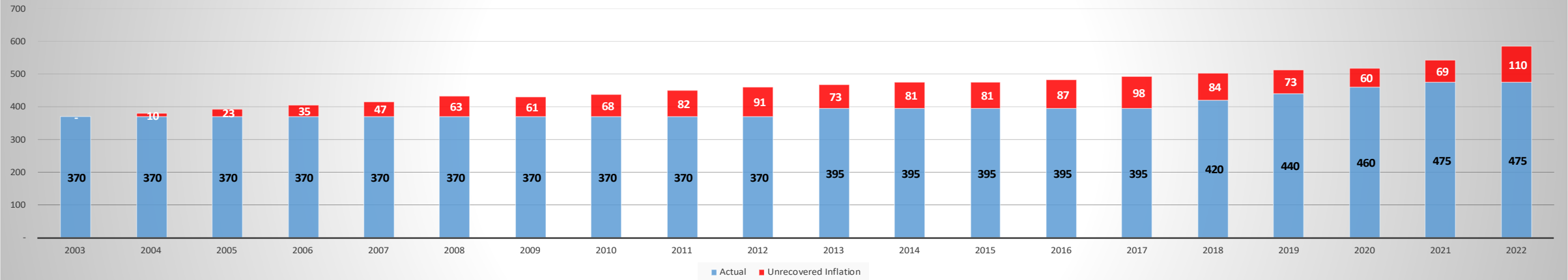
*****BHP MONTHLY DUES 'SHOULD BE' \$585/MO IF WE ONLY CONSIDER THE IMPACT OF INFLATION
WHICH WE ANTICIPATE OUR VENDORS WILL....*****



2022 Capital Reserve Study

June 6, 2022 Status

2003 - 2022 Monthly Dues and Unrecovered Inflation



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Monthly Dues per Homeowner	370	370	370	370	370	370	370	370	370	370	395	395	395	395	395	420	440	460	475	475
Calculation of Monthly Dues Adjusted for Inflation																				
Prior Period Monthly Dues	Base	370	380	393	405	417	433	431	438	452	461	468	476	476	482	493	504	513	520	544
Inflation Index (CPI)	Base	2.7%	3.4%	3.2%	2.8%	3.8%	-0.4%	1.6%	3.2%	2.1%	1.5%	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	1.2%	4.7%	7.5%
Inflation Adjustment	Base	10	13	13	11	16	(2)	7	14	9	7	7	0	6	10	12	9	6	24	41
CPI Adjusted Monthly Dues		370	380	393	405	417	433	431	438	452	461	468	476	476	482	493	504	513	520	544
Unrecovered Inflation		10	23	35	47	63	61	68	82	91	73	81	81	87	98	84	73	60	69	110
Months	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
Unrecovered Inflation per Unit		120	275	426	562	752	731	814	982	1,096	879	969	975	1,049	1,171	1,012	881	715	828	1,318
Number of Units	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140
Total Unrecovered Inflation		16,783	38,488	59,611	78,685	105,296	102,388	113,972	137,510	153,452	123,077	135,664	136,464	146,864	163,884	141,744	123,396	100,147	115,976	184,524
Cumulative Unrecovered Inflation																				
o Total Association		16,783	55,271	114,882	193,567	298,863	401,251	515,223	652,734	806,185	929,263	1,064,927	1,201,391	1,348,255	1,512,139	1,653,883	1,777,279	1,877,426	1,993,401	2,177,925
o Per Unit		120	395	821	1,383	2,135	2,866	3,680	4,662	5,758	6,638	7,607	8,581	9,630	10,801	11,813	12,695	13,410	14,239	15,557

This slide looks at the impact of inflation since 2003 and shows what Blue Heron's monthly assessments would have been if we only increased assessments annually for inflation. **Over the past 20 years, we have \$2.2 million of unrecovered inflation as a result of not increasing HOA's in 14 of the past 20 years (70%).** This unrecovered inflation has resulted in the use of reserves to fund operating budget shortfalls, curtailed services, and has significantly contributed to our current low reserve balance.

MONTHLY ASSOCIATION FEES VS CAPITAL RESERVE REQUIREMENTS

- IN DECEMBER, THE BOARD DECIDED NOT TO INCREASE HOA'S WHEN IT WAS DEVELOPING THE 2022 BUDGET BECAUSE IT WANTED TO BECOME MORE FAMILIAR WITH EXISTING CONTRACTS AND TO LOOK FOR OPPORTUNITIES TO REDUCE COSTS.**
- IT IS VERY DIFFICULT TO GET COMPANIES TO QUOTE ON NEW AND EXISTING BUSINESS, AND THOSE THAT DO OFTEN HAVE SUBSTANTIALLY HIGHER PRICES THAN WE PAY TODAY.**
- THE BOARD HAS NOW CONCLUDED IT CANNOT CONTAIN THE CURRENT 7.5% INCREASE IN INFLATION (CPI) AND WILL BE INCREASING HOA FEES BY \$25 FROM \$475 TO \$500 (5.3%) EFFECTIVE JULY 1, 2022.**



BHP OPERATING EXPENSE ACTIONS TO DATE

THE BOARD, METRO AND COMMITTEES HAVE MET WITH EACH AND EVERY VENDOR TO REVIEW AND EMPHASIZE THE EXPECTATION FOR OUR COMMUNITY!

WE ARE A 'LUXURY', 'AWARD WINNING' NEIGHBORHOOD!

AS SUCH, WE EXPECT AWARD WINNING SERVICE ON EVERY FRONT!

EVERY VENDOR HAS BEEN PROVIDED AN OPPORTUNITY TO DELIVER ANY COST OR LABOR HARDSHIP THAT WOULD DETER FROM OUR EXPECTATIONS!

NOT ONE HAS RESPONDED TO THE NEGATIVE!



BHP OPERATING EXPENSE ACTIONS TO DATE

THE BOARD, METRO AND COMMITTEES MEET BI-WEEKLY TO TOUR PROPERTY AND REVIEW PROBLEMS, PROPOSALS AND PROGRESS.

WE ALL PARTICIPATE IN A HIGHER LEVEL CONF CALL WITH JC PALMER, ON THE ODD WEEKS, TO DISCUSS LINGERING ISSUES, EXTRA ATTENTION AND SUCCESSSES.

EVALUATING VENDOR COST AND PERFORMANCE NOW WILL ALLOW FOR THE NECESSARY CHANGES TO BE MADE IN 2022 FOR 2023 SERVICE



CAPITAL PLANNING AND RESERVE REQUIREMENTS

SINCE OCTOBER OF 2021 OUR FOCUS HAS BEEN TO IDENTIFY, ANALYZE AND ADDRESS THE SAFETY AND LONGER-TERM INFRASTRUCE NEEDS OF OUR COMMUNITY. THESE NEEDS INCLUDE:

- **DRIVEWAYS**
- **ROADS AND CURBING**
- **ROOFS**
- **GAZEBO**
- **LAKE CONDITION AND BEACH EROSION**
- **LANDSCAPING**



CAPITAL PLANNING AND RESERVE REQUIREMENTS

THE RESULTS OF OUR 8 MONTH FINDINGS AND PLAN SHOULD BE OF NO SURPRISE TO CO-OWNERS AS THE BULK OF THIS INFORMATION HAS BEEN SHARED SINCE 2017, AND WITH DETAIL IN 2019 AND 2021.



ANNUAL MEETING CAPITAL DISCUSSION SINCE 2017

Discussion on our Assessment

Upcoming Reserve Requirements / Desires

- Fountain replacement & repairs
- Gazebo and boat ramp
- Docks and walkways
- Entrance and islands
- Water quality improvements
- Brick & mortar
- Exterior light fixtures
- Irrigation system
- Stone or wood retaining walls
- Roads, drives & walkways
- Mulch replacement
- Tree / Shrub replacements
- Roofs
- Beach & timber wall
- Dredging
- Siding & trim - alt materials
- Full driveway replacements
- Dock improvements/extensions
- New well (s)
- Water side crab apple trees
- Chimney caps, chases, flue pipes
- Gutters & downspouts
- Light fixtures & mail boxes
- Catch basins
- Water & sewer pipes
- Storage shed
- Roofs and soffit vents

ANNUAL MEETING CAPITAL DISCUSSION 2019, 2021

Mandatory Capital Requirements

	<u>Estimated Capital Cost</u>	<u>Per Co-owner Cost</u>
• Replace Roofs	\$ 1,525,000	\$10,892
• Repave (Asphalt) Roads	775,000	\$ 5,535

Potential Assessments
Optional Capital Expenditures
within the next 10 years
\$16,427 - \$50,567

	<u>Estimated Capital Cost</u>	
• Replace Curbing	750,000 - 1,525,000	\$ 9,464
• Replace Driveways	825,000	\$ 5,892
• Landscaping Improvements	50,000	\$ 2,500
• Replace Exterior Building Lighting	110,000	\$ 785
• Irrigation System Upgrades	85,000	\$ 607
• Catch & Leach Basin Clean-Out	65,000	\$ 464
• Replace Gazebo Roof	20,000	\$ 143
• Provision for Unexpected Items	250,000	\$ 1,785
• Replace Siding	1,400,000 - 1,750,000	\$12,500



FINAL WORDS ON CAPITAL RESERVES FROM LAST 4 ANNUAL MEETINGS

Final Thought..... The value of living in Blue Heron Pointe

Residents come and go.....But our buildings and grounds remain forever. They cannot speak for themselves.

I see the role of your Board of Directors to protect the beauty and standards of Blue Heron Pointe by providing a "voice".

This "voice" assures that we all maximize the value of our investments while providing the standardized "look and feel" that makes our neighborhood so desirable.

-Conclusion of last 4 BHP Annual Meetings



CAPITAL PLANNING AND RESERVE REQUIREMENTS

THIS BOARD HAS CONCLUDED THAT THIS 'CAN HAS BEEN KICKED' AS FAR AS POSSIBLE AND WE MUST COMMENCE WITH IDENTIFIED CAPITAL PROJECTS THAT WILL RETAIN AND INCREASE OUR PROPERTY VALUES, AND FURTHER BOLSTER BLUE HERON AS A PREMIER MICHIGAN CONDOMINIUM COMMUNITY!

SO, HERE IS WHAT WE HAVE DONE:



CAPITAL PLANNING AND RESERVE REQUIREMENTS

IN DECEMBER, THE BOARD HIRED MICHIGAN RESERVE ASSOCIATES (MRA), A CONSULTING FIRM SPECIALIZING IN CAPITAL RESERVE STUDIES FOR CONDOMINIUM DEVELOPMENTS, TO:

- **WORK WITH THE BOARD AND COMMITTEES IN LOCK STEP**
- **CONDUCT AN ON-SITE INSPECTION OF OUR ASSOCIATION**
- **IDENTIFY CAPITAL RESERVE REQUIREMENTS AND TIMING**
- **DETERMINE FUNDING NEEDS**

CAPITAL PLANNING AND RESERVE REQUIREMENTS

WE ESTABLISHED A CAPITAL RESERVE SUBCOMMITTEE, STAFFED BY FELLOW CO-OWNERS, TO SUPPORT AND DRIVE THE OUTCOMES.

WE THANK AND ACKNOWLEDGE THEM FOR THEIR CONTRIBUTIONS:

- **DAVID BOMZER**
- **WILL BOSANKO**
- **ED BUCKLE**
- **DON JOHNSON**
- **KEN KUNKEL**
- **TERRY MANNING**
- **JIM TOWNSEND**
- **PETE WRIGHT**



CAPITAL PLANNING AND RESERVE PROCESS

- **THE RESERVE STUDY IDENTIFIED ALL POTENTIAL CAPITAL PROJECTS REQUIRED OVER THE NEXT 25 YEARS; THIS PRESENTATION, HOWEVER, IS FOCUSED ON THE NEXT TEN YEARS**
- **UPON COMPLETION OF THE ON-SITE STUDY BY MRA, THEY PROVIDED A DETAILED SCHEDULES OF PROJECTS, COSTS, TIMING, FUNDING REQUIREMENTS, AND ASSUMPTIONS THAT THE SUBCOMITTEE VALIDATED AND VERIFIED WITH COMPONENT VENDOR EXPERTS OVER 4 MONTHS TIME**
- **ALL PROJECT COST ESTIMATES INCLUDE A 3% COMPODED INFLATION RATE.**
- **THE END RESULTS PRESENT A QUANTIFIABLE AND VALIDATED PLAN THAT REFLECTS THE COLLABORATION OF CAPITAL RESERVE EXPERTS, PROFESSIONAL COMPONENT CONTRACTORS, CAPITAL COMMITTEE VOLUNTEERS, AND YOUR BOARD.**
- **AS THE ECONOMICS OF THIS PLAN ARE DEVELOPED IN A VOLATILE COMMERCIAL ENVIRONMENT, IT IS THE INTENTION THAT THE PLAN WILL BE UPDATED AND VERIFIED A MINIMUM OF ONCE EVERY TWO YEARS FOR THE FORSEEABLE FUTURE.**
- **MICHIGAN RESERVE ASSOCIATES ARE ON A 5 YEAR RETAINER TO HELP MAINTAIN THE ACCURACY OF THE PLAN.**
- **THE ENTIRE COST OF THE CAPITAL PLAN AND ASSOCIATED EXPERTISE WAS \$5,000**



BLUE HERON POINTE 10 YEAR CAPITAL PLAN

Capital Projects	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	TOTAL
Driveways	281,250	289,688	298,378								869,316
Mail Stations	4,000										4,000
Gazebo Replace	10,000	220,000									230,000
Beach Drainage	105,000										105,000
Retaining Wall			21,388								21,388
Entrance Signs/Landscape	26,000										26,000
Concrete Curb				298,905	307,872						606,777
Asphalt Streets				274,992	283,242						558,234
Catch Basins Repair				32,782							32,782
Guest Parking Spots					7,345					8,515	15,860
Roofs/Gutters						473,739	487,951	502,590	517,667	533,197	2,515,144
Dock Replacement									118,232	121,779	240,011
Ext Lights/Sconces										104,382	104,382
Leach Basins										6,524	6,524
Pedestrian Paths										28,289	28,289
Small Capital Projs	30,000	30,900	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	343,916
TOTAL COST	456,250	540,588	351,593	639,461	632,224	508,517	523,773	539,486	673,902	841,829	5,707,623
Less Current Res Contr	(63,377)	(63,377)	(63,377)	(63,377)	(63,377)	(63,377)	(63,377)	(63,377)	(63,377)	(63,377)	(633,770)
FUNDING RQTS	392,873	477,211	288,216	576,084	568,847	445,140	460,396	476,109	610,525	778,452	5,073,853
Assessment	2,806	3,408	2,059	4,115	4,063	3,180	3,289	3,401	4,361	5,560	36,241

CAPITAL PLANNING AND RESERVE PROCESS CONCLUSIONS

- WE CAN'T WAIT ANY LONGER TO ACT ON INFRASTRUCTURE REPAIRS THAT HAVE BEEN COMMUNICATED AND DISCUSSED FOR 5 YEARS**
- BHP CAPITAL INVESTMENT OVER 26 YEARS HAS BEEN \$11,900 PER CO-OWNER**
- PUTTING OFF CAPITAL PROJECTS WILL ONLY COST MORE AT A LATER DATE**
- BANDAIDS AND PATCHING HAS BECOME COST INEFFECTIVE AND EXPENSIVE**
- \$5.7M IS REQUIRED OVER 10 YEARS TO ADDRESS LONG TERM INFRASTRUCTURE**
- PLAN WILL BE UPDATED EVERY 2 YEARS TO MAINTAIN ECONOMICS AND ACCURACY**
- ASSESSMENT ONLY COVERS AMOUNT TO BE SPENT WITHIN A YEAR. THIS IS NOT A BANK ROLL ACTIVITY!**



CAPITAL PLANNING AND RESERVE PROCESS CONCLUSIONS

- ALL BHP RESIDENTS WILL RECEIVE NOTICE OF A CAPITAL ASSESSMENT OF \$2,800, DUE AUGUST 1, TO FUND 2022 CAPITAL PROJECTS (GAZEBO, BEACH DRAINAGE, DRIVEWAYS, CRABTREE REPLACEMENT)**
- CO-OWNERS SHOULD BUDGET FOR ANNUAL ASSESSMENTS OVER THE NEXT TEN YEARS TO FUND IDENTIFIED CAPITAL INFRASTRUCTURE PROJECTS TO MAINTAIN YOUR COMMUNITY**
- EACH AND EVERY DOLLAR INVESTED IN THE REPAIR OR REPLACEMENT OF BHP INFRASTRUCTURE WILL IMPROVE PROPERTY VALUES BASED ON INDUSTRY COMPARITIVE DATA.**



NEAR TERM CAPITAL PROJECTS (2022/2023)

DRIVEWAY REPLACEMENT PROGRAM

- **AFTER 3 YEARS OF LOW PARTICIPATION, THE 50/50 COST SHARING DRIVEWAY REPLACEMENT PROGRAM IS BEING DISCONTINUED BECAUSE ITS NOT PROVIDING INFRASTRUCTURE IMPROVEMENT NEEDS**
- **FULL REPLACEMENT OF ALL DRIVEWAYS WILL 1) IMPROVE SAFETY, 2) INCREASE CURB APPEAL AND HOME VALUES, AND 3) LOWER FUTURE OPERATING BUDGET EXPENSES FOR CEMENT WORK.**
- **AS REFLECTED IN THE CAPITAL PLAN, ALL REMAINING ORIGINAL DRIVEWAYS WILL BE REPLACED IN THE NEXT 3 YEARS, BEFORE ROADS ARE INSTALLED.**
- **THE CO-OWNERS THAT PARTICIPATED IN THE 50/50 SHARING PROGRAM WILL BE CREDITED FOR THE AMOUNT THEY PREVIOUSLY PAID.**



CONDITION OF DRIVEWAYS



NEAR TERM CAPITAL PROJECTS (2022/2023)

CRAB TREE REPLACEMENT PROGRAM

- ITS TIME TO COMPLETE THE CRAB TREE REPLACEMENT PROGRAM OVER THE NEXT FEW YEARS**
- CO-OWNERS WHO WISH TO HAVE THEIR TREE REMOVED AND NOT REPLACED WILL BE PROVIDED THAT OPTION**
- A SMALLER AND LESS DISEASE-PRONE REPLACEMENT TREE TO THE CLEVELAND PEAR IS PLANNED**



NEAR TERM CAPITAL PROJECTS (2022/2023)

BEACH DRAINAGE AND RESTORATION

- CHRONIC AREAS WHERE WATER RUN OFF IS DESTROYING OWNERS BEACHES**
- COMMENCE DRAINING DOWNSPOUTS DIRECTLY TO ROCKS**
- REPAIR BEACHES AND REPLACE ROTTEN TIMBERS WHERE NEEDED**



NEAR TERM CAPITAL PROJECTS (2022/2023)

GAZEBO DECK AND BUILDING

- COMPO BUILDERS RETAINED TO PROVIDE AN ENGINEERING EVALUATION OF GAZEBO FOR SAFETY AND REPAIR**
- COMPO CONCLUSION THAT 90% OF THE DECK AND BUILDING SHOULD BE REPLACED**
- SUPPORT BEAMS AND POSTS SINKING UP TO 8” IN A SHORT SPAN**
- JACKS UNDER DECK ARE IN VIOLATION OF CODES**
- VERTICAL WALLS AND ROOF OF BUILDING ARE LEANING UP TO 8”**
- FINDINGS CONSISTENT WITH 2021 CONTRACTOR EVALUATION PROVIDED**

NEAR TERM CAPITAL PROJECTS (2022/2023)

UPDATED ENTRANCES

- **NEW SIGNAGE FOR ENTRANCES EXPECTED IN AUGUST**
- **CHANGES TO FLOWERBED AREA**
- **DIFFERENT FLOWERS AND COLORS FOR 2022**



NEAR TERM CAPITAL PROJECTS (2022/2023)

LAKE HEALTH AND REJUVINATION PROJECT

- **LAKE WATER QUALITY IS GOOD AND SAFE FOR ALL TO ENJOY**
- **IMPROVE CLARITY, VEGETATION BALANCE, SANCTUARY, AND BOTTOM MUCK**
- **ENGAGED DR J JONES, WHO PROVIDED REPORT FOR BHP IN 2016 TO QUARTEBACK IMPROVEMENT EFFORTS**
- **SWITCHED “APPLICATOR” TO PLM FROM BLUE WATER; PLM ALSO MANAGES STONEWATER LAKES**
- **PERFORMANCE MEASURABLES WILL BE ESTABLISHED MID SUMMER TO MONITOR IMPROVEMENT**
- **PLM WILL BE RESPONSIBLE FOR FOUNTAINS AND WATER MOVER EQUIPMENT**

OPEN DISCUSSION



JUNE 7, 2022

2017 -2021 Financial Auditors Compliance Report

NOTE 3: FUNDED RESERVES

The Association requires funds to be accumulated for future repairs and replacements. These funds are maintained in certificates of deposit and/or money market funds. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. These reserve funds may not be adequate for the required major repairs and replacements. The Association may need to borrow, increase maintenance assessments or delay repairs and replacements until funds are available.

