

## **LONG RANGE PLANNING COMMITTEE REPORT (article one-June RR)**

Your Long Range Planning Committee (LRPC) has just completed its initial phase. Continuing an informative and detailed process, the committee is working with the Board of Directors (BOD) and the Finance Committee to absorb and understand the results. This article and subsequent articles are to enable you, the membership and the property owners, to absorb and understand these results, as ultimately you will make the final decisions concerning our future.

We began with the following mandate from the BOD: The following motion was approved 5-21-05 to create a long Range Planning Committee: That after sufficient time for nominations and suggestions the POA Board of Directors elect a long range planning committee, to consist of seven members. This committee will function for no longer than 2 years, but may finish its work sooner. Nominations for this committee may be made by the Finance Committee, the Recreational Committee, Beautification Committee, BOA, ARB, and the Board of Directors. Other suggestions for members of the committee will be welcomed from any property owner. During the duration (two years) of the committee's work any vacancy that occurs will be filled by a new member elected by the POA Board. When the committee has completed its work, the specific proposals of the committee will be submitted to the property owners at the time of an annual meeting, so that long range proposals/goals can be dealt with by all property owners."

The LRPC recently made a recommendation to the BOD that the committee become a permanent committee of the BOD as implementation of the LRPC report will need to be reviewed and revised as progress is made.

Over the past two years the committee outlined its scope of work and formed the following mission statement: "To develop a comprehensive strategy that will enable the accomplishment of the Lake Royale community's vision for the future, based on suggestions submitted from property owners and other sources, to be presented to the entire membership for approval and implementation."

This corresponds to the mission statement of the BOD: "By working as a team, the members of the Board of Directors of Lake Royale are committed to: The highest level of safety and security for our property owners as possible; Maintaining lake quality as a priority; Communicating and portraying professionalism, honesty and openness in all matters; Providing the best return on assets and limiting liabilities to our association as possible; Enforcing and following the By-Laws, Covenants, Ordinances, Policies and Procedures; Providing organized recreation, social events, religious and church time and entertainment for all ages."

The LRPC divided itself into four subcommittees to distribute and provide focus on the work: Infrastructure, Recreation, Finance, and Administration. Each of these subcommittees did a yeoman's amount of research gathering a lot of information. The culmination of these efforts led to the completion of a Reserve Study.

Future articles will deal with the information related to POA finances, growth, history of the POA, and finally the Reserve Study that provides us with a detailed plan for the future.

## Interesting Discoveries about Lake Royale

(article 2 July RR)

As your Long Range Planning Committee did its work it accumulated many facts about our history as well as our future. A number of studies were completed in many different areas. Perhaps we can share some of them in this article.

POPULATION The latest census information is from 2000 (note: census information is residential only). The US Census Bureau updates population statistics annually only if an area is an incorporated community. Annual updates can be found for Bunn, Louisburg and Franklin County – but not for Lake Royale. Lake Royale is included in the Cypress Creek Census Block (607), which is broken out into Census Blocks 1 and 2. Half of Lake Royale is in Block 1 and half in Block 2. It was not an easy job to extract our information but in 2000 Lake Royale was reported to have a population of 1239 including 273 school age children. Using the county's growth rate and applying it to Lake Royale's 2000 population we can estimate that the current population would only be 1466. County officials claim that Lake Royale is the fastest growing area of the county. All current estimates are that our population is well in excess of 2000 and growing rapidly (some say in excess of 3000). During the 2005-2006 school year the Franklin County School Board reported 283 children enrolled with Lake Royale addresses. This would not include those who are home schooled or in private schools.

The number of building permits and vehicles registered is rapidly increasing. Here is a comparison of the last three years:

### BUILDING PERMITS

	<u>2004-2005</u>	<u>2005-2006</u>	<u>2006-2007</u>
Residential	93	133	190
Camping	119	160	239
Total	212	293	429

### VEHICLES REGISTERED

Boats	300	320	393
Cars	2334	3994	7422
Golf Carts	104	150	304
ATVs	15	8	5
Motorcycles	-	25	73

As our Lake Royale Fixed Asset Inventory was brought up to date some very interesting facts were discovered. A summary follows:

- There are sixty-one miles of roadways (plus parking areas) to maintain. More than thirty miles have been repaved over the last five years – just less than twenty-five miles are yet to be paved. Three miles remain unpaved and twenty-twenty five miles are in need of patching & overlay.
- In addition to sixteen vehicles (trucks and heavy equipment) valued at over \$156,000 our maintenance department has eighty-one different pieces of equipment with replacement cost estimated at over \$43,000.
- There are over fifteen buildings to be maintained (Clubhouse, Pavilion, offices, comfort stations), The estimated replacement cost of our entire infrastructure is over \$15,000,000.

This information may be overwhelming. Hopefully, we all may begin to see that Lake Royale is not a small community. In reality it is vastly larger than most other property owner associations.

## LAKE ROYALE POA FINANCES

(Third in a series of articles from your Long Range Planning committee)

All of us, at some time or other, have made statements that sound very thought out and logical and then we discover that we did not have all the facts and our statements or conclusions were not as sound as we originally believed. This can also be true concerning our Lake Royale POA finances. A review of our past finances, our current financial situation, and a look at the future is very much in order for all property owners.

In the early years of Lake Royale, the buildings and grounds were new and needed little maintenance and updating. Our community is now over thirty years old and our infrastructure is aging and in need of much upgrading. We have much more infrastructure than most community associations. The numbers and replacement values of our infrastructure can be overwhelming. Think of the amenities we have: clubhouse, pavilion, two office buildings, security gate, mail facilities, roads and parking lots, a bridge, comfort stations, playgrounds, swimming pool, public boat docks, maintenance and security equipment, vehicles, and our most precious – the lake and dam.

For many years our community leaders have struggled with these issues with the only recourse being annual dues increases. In addition, our documents limit those increases to ten percent per year. Fifteen years ago our community leaders struggled with meeting monthly payroll. For years delinquent dues were not pursued at all. In the past four years the timely process of leasing and foreclosing on delinquent property dues was begun. This process is now generating new owners who are paying dues when billed. The following is a comparison of our dues collection over the last several years: 2004-2005, \$1,323,176; 2005-2006, \$1,527,086; 2006-2007, \$1,732,388. As of June 30, 2007 we have collected 71% of current year dues as compared to 65% at the same time last year. This increase in revenue has enabled us to upgrade a number of our facilities but we have a long way for our facilities to be beautiful and safe.

Receipts detailed in the previous paragraph could have been even better. Our documents allow the combining of three adjoining lots and paying one annual dues. This practice has reduced our current receipts each of the past five years by 2% per year. As our community is growing rapidly (see last month's article on new permits) and with our income continuing to be reduced in this manner, we will continue to see a further strain on annual income.

Some property owners have misinterpreted our funds on hand as being excess funds. We must remember that our dues are mostly collected in March, April, and May (dues are due as of April 1). We have much lower receipts the other nine months of the year. Our expenses are fairly level throughout the year. Those "excess funds" you think you see are actually held in reserve for regular monthly expenses for the remainder of the fiscal year. They are deposited with the highest rate of return to provide additional income.

Recently a study was done comparing community association sizes and dues across the area with our own. Lake Royale (approx. 5200 lots) has the lowest annual dues by far of any community association in our area (currently \$450+). Most associations are much smaller and have far fewer amenities and infrastructure than Lake Royale. A few examples:

Landfall (Wilmington) has 1880 lots with gated security, roads and roadside maintenance, a lake, and recreation – annual dues \$1,330 (2004).

Vista Court (Winston Salem) has 475 units, pool, lawn maintenance, parking lot (no roads) – annual dues \$1,200 (2006).

Corolla Light (Outer Banks) has 414 units, gated and road maintenance – annual dues \$ 2,735 (2006)

Grey Stone (Raleigh) has 820 units, pool, three small lakes, not gated, no road maintenance – annual dues \$1,788 (2006).

Each of these associations also makes special assessments as needed for capital improvements. In condo associations these special assessments cover exterior building maintenance (roofing and painting) and are not usually included in the annual dues. Those associations with lower dues than Lake Royale were not gated, had no road maintenance, no security, may have had a small pool, and have an open entrance that would take limited maintenance.

Most other community associations have other sources of income besides dues. Not all residents utilize all the infrastructure or amenities. For example, very few of our residents use the swimming pool, but all of our dues support the expense of the swimming pool. Other community associations have separate annual membership for the swimming pool, which allows those residents daily use. Other community members who are not pool members may use the pool with a small daily fee. Other examples of usage fees would be public boat docks and mail facilities. Let's look at public boat docks. Presently our public boat docks are first come first served. Lake Gaston, for example, charges an annual rental fee in excess of \$1,000 for renting and reserving a public boat dock. An annual boat rental fee of \$100 would allow better maintenance and expansion of our public boat docks. Expansion of our public boat docks is an ever-growing need due to our community growth.

Lake Royale is also unique in its structure as it has both residential and camping lots. Camping lot owners with smaller lot size argue our dues structure seems unfair to have equal dues with larger residential lots. Residential lot owners argue they should not pay dues for comfort stations (sewer, hot showers, washers and dryers). These and other inequities make it very difficult for your community leaders to plan and fund community improvements and maintenance.

Your community leaders always welcome your input and are continuously working toward the improvements you suggest. Your suggestion may not always be a high priority for the community as a whole. Your suggestion may be very relevant based on the information you have but not in balance with all of the information available to community leaders. An effort to communicate all information is a difficult task and that varies with the involvement and commitment of individual property owners. We hope this information has been helpful to each property owner and your community leaders wish they could do all things needed immediately. As with individual families, your community leaders must prioritize needs while being good stewards and managers of the community funds.

## **LAKE ROYALE POA FINANCES II (article 4, Sept RR)**

(This is the fourth in a series of articles from your Long Range Planning Committee. Please read them together in context in these issues of the Royale Reporter: June- LRPC Report; July- Interesting Discoveries about Lake Royale; August - Lake Royale POA Finances; or, you can read them on our web site – [www.lrpoa.com](http://www.lrpoa.com), click on the link for Boards and Committees and then Long Range Planning Committee.)

There are two basic types of funding that are recommended by the Community Association Institute: Annual Budgets and Reserves. Annual Budgets cover the day-to-day operations, such as: salaries, maintenance and utilities of common areas, security, and community activities. Your POA Annual Budget can be compared to your Family Budget to meet monthly re-occurring expenses, such as mortgage or rent, food, utilities, insurance, and minor maintenance. Reserves are funds that are set aside out of annual income to be used for major replacement of, and/or additions to infrastructure. They are sometimes referred to as capital improvements. A Reserve Fund could be compared to a family savings account to cover major maintenance costs or additions. Examples would be: a new roof, a room or garage addition. Often a family will borrow for such expenses but this is not recommended for a Community Association.

Careful planning for future repairs and replacements is in the best physical and fiscal (financial) interests of the association. Maintaining a Reserve Fund not only meets legal, fiduciary and professional requirements, it also minimizes the need for special assessments and enhances owner's property values. How does a reserve fund gets started, especially when our association has not had one nor has been able to maintain infrastructure and amenities very successfully? The answer is to have a professional reserve study completed.

What is a professional reserve study? There are two components of a reserve study – a physical analysis and a financial analysis. Certified professional engineers perform the physical analysis. These engineers evaluate the physical status and the repair or replacement costs of all fixed assets and community amenities. Certified professional accountants evaluate the association's finances and determine a recommendation for funding the repair or replacement costs over a thirty-year span.

Your Long Range Planning Committee, Finance Committee and Board of Directors approved a professional reserve study earlier this year. Bids were received from three professional reserve companies and the contract was awarded to a company named Miller, Dodson, and Associates. This company completed their initial report earlier this year. The report is currently under review and the final report from Miller, Dodson is expected soon. The following is a summary of their report:

\$10,102,980	Estimated value of all items in the Replacement Reserve Inventory
\$807,102	Minimum recommended annual contribution to replacement reserves

Included in the Reserve Study is a thirty-year priority plan of replacements and repairs. Major components in the analysis are: roads, dam and spillway, boat docks, clubhouse, recreation areas, pool, tennis courts, comfort centers, pavilion, beaches, front entrance gate system, and vehicles. Currently this plan is under review by your community leadership to make changes for Miller, Dodson's final report. When the final report is received your community leadership will make a final review and present the completed long-range plan to the community for our future growth and prosperity. This long-range plan will, of necessity, be adjusted annually as priorities and needs always require adjustment and change as no one is able to predict the future.