



**2022 RECOMMENDED BUDGET PRESENTATION
Additional Information Session**

Presented by

Mary Freudenberg, Board President,
Jim Ungaro, Board Treasurer,
& Jim Whitmore, General Manager

October 18, 2021

Today's Presentation

- The purpose of today's meeting is to address the comments and questions received after our initial CFPOA Recommended Budget Presentation on October 5, 2021, and before the deadline for submissions of October 14th.
- Introduce CFPOA Finance Committee members and Board members.
- List of Topics and Review Questions/Comments and Answers.
- 2022 Budget: What happens now?

Finance Committee Members

John Harris, Chair

Bob Coffin

Bob McGinnis

Marty Oliver

Steve Meadows

Keith Butler

Mark Stevens

Cara Blank

Craig Harting

Jim Ungaro, Board Liaison

CFPOA Board Members

Mary Freudenberg, President

Janet Saucier, Vice-President

Dick Benson, Secretary

Jim Ungaro, Treasurer

Shirley Hallblade, Director

Bryan O'Neill, Director

Brent Ziegler, Director

Topics of Questions/Comments (Alpha. Order)

- Activity & Wellness
- Assessment
- Atagahi Pavilion
- Boat Storage
- Budget Approval
- Bundled Community
- Cares Credit
- Equestrian Center
- Food and Beverage

Topics of Questions/Comments (cont.)

- Forest Management
- Golf
- Living Wage/Tips
- Pickleball and RV Paving
- Pool
- Reserves
- Security
- Tenant Fees
- Walking Dogs
- West End Fiber

Activity & Wellness

- I suggest that the fee for a one-month Wellness pass with classes should be \$50 rather than \$40 per month for an individual.
 - We review these fees each year through the budget process and based on other similar communities and the local market we feel the \$40 is a fair priced based on the offerings and an increase to \$50 is not justifiable.

Activity & Wellness Cont...

- The proposed 2022 budget shows \$75,000 for wellness/activity building planning. It is questionable to be spending more money on planning such a building before it is known whether the membership desires (or will approve) such a building. Please keep in mind that several years ago the board had a plan to tear down and rebuild the clubhouse. Hundreds of thousands of dollars were spent by the board in planning--only later to have the membership vote overwhelmingly against the project. Those hundreds of thousands of dollars were wasted. Past mistakes are a valuable tool toward exercising fiscal prudence and responsibility. Before any more money is spent on planning for a wellness/activity building, it should be known whether there is more than anecdotal support for such a building. Widespread support for such a building is pure speculation at this point. The \$75,000 for planning should be removed from the 2022 budget until more information is secured, perhaps by a membership-wide advisory vote which could be done in the same way the budget vote is being done.
 - There have been numerous surveys and public forums on the Activity & Wellness proposal and the feedback has been overwhelmingly supportive. Without having detailed civil engineering, site work requirements, building design and specifications, landscape and hardscape plans, artist renderings to show what the building will potentially look like, and FF&E requirements, it is impossible to give an accurate picture and cost estimate of the project. All these details and specifications require licensed professional service agreements to provide what is listed above and the proposed funds will cover these costs and help ensure that we provide an accurate picture of the proposed project.

Assessment

- Why do the dues have to increase annually?
 - Expenses and the cost of capital items increase for the community as they do for the general economy so the reality of keeping the assessment static year after year is not realistic. Over 60% of the overall community expenses are payroll related, cost of living increases will also be needed to continue to keep and attract staff which impacts the yearly assessment.

Atagahi Pavilion

- I use the Atagahi pavilion for exercise classes and am aware of the traffic that builds up during times of heavy use. Would it not be a better plan to place a 2nd pavilion at another lake park? Additional traffic in that area would be hard to manage.
 - A pavilion was added at the Lake Wanteksa Dam. The pavilion was built as large as possible based on the restrictions associated with the Dam. Parking across from Atagahi Park entrance has been adequate during the large events held at the park. Also, a restroom facility is desired, which makes the Atagahi Park location preferable.

Boat Storage

- Is there any way to better manage or set up more areas to store kayaks by the lakes? Waiting years to get a slip seems lengthy.
 - Adding additional spots for kayaks is currently in the planning stage. The current wait time is less than a year.

Budget Approval

- Is the budget approved up or down? When is the time for tweaking?
 - There is a yes or no vote on the budget. Substantial time and analysis including tweaking has already been done by the Administration, the Board and Finance Committee to prepare a budget that meets the needs of the community.

Bundled Community

- Why must owners be financially responsible for amenities they will never use?
 - Choosing to purchase a home or lot in Connestee means you have the benefit of our wonderful amenities, such as our clubhouse, golf course, pool, tennis courts, pickleball courts, bocce courts, lakes, gated access, parks, maintained roads and walking trails. Everyone must contribute to maintain these amenities, whether you choose to use them or not, as each member equally owns all the amenities and common areas.

Cares Credit

- My question is about the federal money that was received this year to support companies that don't lay off their employees. It looked like that money wasn't spent, but I can't tell what impact it had on this year's, or next year's budget. Can you explain how it's impacted these budgets?
 - The amount at year end in excess of the budget will be allocated by the Board based upon the expected needs of the community in 2022 and future years. The Cares Credit in 2021 was spent to keep staff employed during the COVID crisis.

Cares Credit Cont....

- I assume the absence of the Cares credit has been considered when projected the operating surplus for budget year 2022?
 - The Cares Credit along with any surplus will be allocated by the Board based upon the expected needs of the community in 2022 and future years. None of these funds have been allocated to the 2022 budget.

Equestrian Center Use

- What are the anticipated uses of the refurbished Equestrian Center?
 - The Equestrian Center renovation will be multi-functional and used primarily to fill the need of additional meeting space for the members. This amount of space being renovated would not meet the total estimated needs of this community so that is why we are continuing to move forward with the Activity and Wellness Proposal.

Food & Beverage

- One area that caught my attention was Food & Beverage, where an RSM survey of Florida clubs was referenced. I found that a bit like, no pun intended, an apples and oranges comparison. In reviewing the RSM analysis, the survey mentions that 52% of Florida clubs statewide have an annual minimum. Further, it seems there may be slightly more full-time golfing residents in Florida. On the other hand, I did find other information in the RSM report which was noteworthy where Food & Beverage were concerned (see Competitive Pricing). Seeing the challenges which COVID presents to food & beverage operations not just in Connestee Falls but nationwide, a key question I'd like to ask is what Connestee Falls is doing to expand food & beverage operations - not simply to raise revenues but to better serve the members of the community. There seem a number of opportunities to better support our members and member activities that are deemed unfeasible due to staffing limitations. This occurred even before COVID. I'd like to see CFPOA better capitalize on the activities in and around the Clubhouse and to provide members with exclusive F&B and entertainment offerings right where we live and play. There are too few opportunities to socialize when off the course, the range, or the courts. To me, the Blueridge Lounge seems very underutilized both for options like happy hour gatherings and musical entertainment.
 - Additional opportunities for F & B will be available as the need for restrictions due to Covid decrease or are eliminated. 2019 was the most recent year the F & B service was available without restriction and the Clubhouse experienced record attendance. The staffing shortage, which has directly impacted current operations as well, will hopefully improve by 2022.

Forest Management

- In forest management I am wondering what is the plan for removing those fallen trees that make up so much of our forest? In wet weather there does not need to be as much of a concern, but if there is a drought, I worry about fire hazards, etc. I am aware of all the volunteer hours that are given to maintain our trails etc. but that would not be adequate manpower to remove all those dead, fallen trees.
 - In connection with the recent Board initiative, Care for our Natural Environment, the Board has approved funding of Phase 1 of this multi-year plan. Phase 1 and future phases of this incentive will include among its goals an analysis of current forest conditions and wildlife management with suggested corrective options, where necessary. Members will be advised of analysis and recommendations as they are realized.

Forest Management Cont....

- Earlier this year there have been several presentations regarding the Hemlock Woolly Adelgid (HWA) infestation. By my casual observations, the Woolly Adelgid is prevalent in numerous locations throughout Connestee Falls. Is there a plan in place to treat the Hemlock trees for the Hemlock Woolly Adelgid? If so, does it apply to both common areas and member owned homes and lots? If not, how will each of these situations be addressed?
 - The treatment of Hemlocks on the common areas has already begun and the plan is to continue this with the help of trained volunteers. The hope is that we can also come up with a low-cost program for owners who want to participate to treat their Hemlocks as well.

Golf

- Only question, without my digging too deep myself and not being fully versed on the layout of the expenses and funds, would be is the cost of golf cart leases and golf cart GPS software included in the Golf 8% of net operating expense and is the same expense included in the portion of the assessment attributable to golf operations of \$269? This is just to be sure we are fully transparent in the budget presentation and not to beat up on golf operations that we tend to do from time to time.
 - The 8% is a coincidence, but the following is how it is calculated. All golf expenses of \$1,456,000 are offset by revenues of \$1,034,00 for a net subsidy of \$422,000. This equates to \$269 per owner ($\$422,000/1570$ home/lot owners). The expenses you listed within the golf operations also so happen to be 8% of the overall golf expenses but there is relationship of the two.

Golf Cont...

- What percentage of the owners use the golf course on a regular basis? What percentage of purchasers of homes or lots in the last five year have indicated that they have done so because of the golf course? From what I can tell from here, the "golf activity excluding dues" brings in revenues of \$585,168. The expenses of the golf activity appear to be \$404,954 and \$977,320. Is it then true that golfing costs the association a net loss of \$797,106, not including any capital expenditures from reserves?
- Of the rounds YTD, property owner play accounts for 60% of play. Of the 60%, 44% were played by owners who are golf members and 16% were played by property owners who are not golf members. The two owner golfing groups associated with the 60% of total rounds, golf members and non-golf member property owners, represent around 30% of the overall community population. Not sure where you are getting your numbers, but if you refer to slide 15 of the budget presentation net golf expenses over revenue is budgeted to be \$422,000. Total Golf Revenue is budgeted at \$1,034,000 less expenses of \$1,456,000. Capital expenditures are on the reserve budget which is separate from the operating budget.

Golf Cont....

- You mention the friendly golf staff. But in looking at employee expenses to total rounds played...that average decreases by about 50% from 2020 to 2021. Is there an additional something behind these numbers that I need to understand?
 - Rounds of golf increased 31% in 2021 versus 2020 and are forecasted to stay steady for 2022. Employee expenses are down in 2021 but will increase in 2022 based on the \$15 minimum wage implementation, which obviously will impact the % ratio regarding employee expense.

Golf Cont....

- There was a pie chart for 2022 total expenses broken down by category as a percentage of the total. If I read it correctly it showed the Golf and Security had the same percentage. It is hard for me to believe that annual golf expenses are the same as the annual security expenses. I would appreciate any clarification as I would have thought that the security expenses would be less than the golf expenses.
 - The amount for golf is net of golf revenue. Total expenses for golf would be greater than security expenses but on a net cost to the community they are similar in amount.

Living Wage/Tips

- I'm pleased to see that the minimum wage to our workers is being raised to \$15/hr. and hope that the wait staff will earn at least that much when tips are taken into account. I hope that this will not only benefit these staff members but also allow the club to become fully staffed and operational.
 - Currently, waitstaff are paid \$10 per hour with a guarantee of \$20 per hour including service charges. We hope this guarantee will attract additional staff to help us get back to more normal operations.
- How is the 20% service charge shared amongst the servers? Do servers directly receive the additional gratuities left?
 - The 20% service charge is pooled amongst all servers on the shift. The additional gratuity goes directly to the server.

Pickleball and RV1 Paving

- Why are the refurbishing of the pickleball court and RV1 paving in the capital budget? Is there a major life extension?
 - Both items exceed the minimum capitalization policy amount of \$2,500 and have a useful life greater than 1 year. They are components of the Capital Reserve, and their cost will be depreciated over their estimated useful life as are all components of the Capital Reserve.

Pool

- Is there any plan for the pool area?
 - Pool Enhancement planning is in process with the final stage of the plan to take place soon after or in connection with the Activity & Wellness Center proposal.

Reserves

- I didn't write down the numbers, but it looked to me that we were spending as much as we were putting into both the amenity and the infrastructure reserves. Are you saying they are 100% funded? Since there were hints to the unknown about inflation, was wondering if it is wise not to increase them. I know one gets a bit higher, but the other does not.
 - Both the Capital and Infrastructure reserve projections include an inflation factor for future years expenditures. Replacement for components of both funds are analyzed annually and the replacement cost and remaining useful life are adjusted as needed. Annual funding amounts are planned to be available when replacement of items is needed. The nature and total of the components for both funds are substantially different resulting in different funding and spending amounts.

Security

- Glad to hear that the minimum wage at Connestee will be increased to \$15 per hour. We must remain competitive to attract staff. Hope this applies to security positions as well. I would like the Board to consider adding some higher paid part-time security positions to patrol our neighborhoods and streets. Maybe some retired military or law enforcement and pay them an attractive wage. With the trend in many towns and cities across the nation, including Asheville, to reduce police staffing and police response capabilities, there may be some negative impact in the future on communities like Connestee. We should begin planning, preparing, and adjusting the budget for possible security issues down the road.
 - CF recently transitioned all Security personnel to employee status with benefits. The goal for this incentive was among other things to raise the training and quality level of personnel, while offering them an increased level of commitment by the CFPOA community. Security needs are adjusted on a as needed basis.

Tenant Fees/Rental Properties

- How much do you collect annually in tenant fees?
 - In 2020, \$103,650 was collected and in 2021 YTD \$82,750 has been collected and we are forecasting \$120,600 by YE for tenant fees. We are budgeting \$130,000 in tenant fees for 2022. These funds are accounted for as revenue in the Operating Budget and help reduce the overall annual assessment for all owners.
- What happened to the company that was going to keep track of the AIRBNB's to make sure that the POA got its' fees?
 - We engaged with Host Compliance to help track rentals in the year 2019 and found that the cost and what we received for a service did not make it a good business decision for the CFPOA. With most rentals within Connestee coming from AIRBNB and VRBO we can track them ourselves, which we have tasked our administrative staff to do on a regular basis. The number of units rented at any given time is around 8% of the total number of homes within the community.

Tenant Fees/Rental Properties Cont....

- Can you please explain the actual need for the tenant registration fee increase to \$150 for even a minimum stay (our minimum is 3-nights, most common rental is 1 week)? This was not discussed in the presentation or mentioned elsewhere in the materials other than a line item in the fee schedule.
 - Short-term rentals are a concern to the overall community as shown in the numerous comments and complaints lodged to Administration and to the Board of Directors. Based on the number of tenant registration applications processed and the specific homes that apply for short-term and long-term rentals, around 8% of the owners rent their units at any given time. While we understand owners' rights to rent, we do not feel having short-term rentals benefits the majority of the community, and that raising the fee will at least financially subsidize the community for the time and effort it takes to process and handle ongoing compliance issues, especially for shorter term rentals.

Tenant Fees/Rental Properties Cont....

- Will you please revisit this issue and leave the rental fee at the current \$100 level until further review in the next few years? I have several inputs for your consideration.
 - This topic has been discussed, in detail, each budget year and the Administration, Finance Committee and Board of Directors are unanimous in supporting the increase proposed and adopted each year. With the current economic environment and supply and demand we do not feel any further review is necessary.

Tenant Fees/Rental Properties Cont....

- As recently as 2015, when we rented and determined we wanted to purchase, the fee was \$50. When we purchased in 2017, the fee was \$75. About 2 years ago, it increased to \$100, and now it could be \$150. That is a 50% YOY increase and a 17% compound annual growth rate!!
 - As stated above the tenant fee has been specifically raised to help encourage more long-term rentals. It is also important to note that rental rates have increased over 25% during the same period. Short-term rental issues are not unique to Connestee Falls, Brevard or Western North Carolina. Many communities and municipalities are struggling to keep peace between investors and residents. We feel increasing the tenant registration fee is equitable based on the increase of resources needed to handle the numerous complaints and community rules violations.

Tenant Fees/Rental Properties Cont....

- This appears opportunistic or arbitrary, and frankly it also seems like a strong bias to discourage renters, especially following the new rental registration program implemented a couple years ago. We need to rent in order to afford to keep our cabin.
 - As stated on the previous slide, we feel this is a justifiable business decision that helps offset the costs associated with the rental issues we deal with on a day-to-day basis. While we understand it could have a negative impact on the ability to rent a property, we need to look at what is best for the majority of owners, not how decisions might impact someone individually.

Tenant Fees/Rental Properties Cont....

- My property manager indicates that none of his other community properties in Western NC charge such a fee, putting CF at a distinct disadvantage when renters consider booking. And when the fee is \$150, it is not taken lightly. The curb appeal effect will be to repel and redirect to another property.
 - I do not believe your property manager is giving you all the information about surrounding communities. We communicate on a regular basis with other property owner associations in the area and they are having similar issues and creating more rules and regulations, including additional fees, to help alleviate the community discourse occurring between owners and renters.

Tenant Fees/Rental Properties Cont....

- Renters are vital to this community in terms of both property values and golf course use. We contribute to that. We bought after we rented, and at least two of my renters in the last 3 years have purchased here. The presentation highlights increased golf rounds, above the national average increase, and the importance of that revenue. Many of our renters are golfers. (maybe it would be helpful for the association to track outside rounds from renters)
 - We agree that rentals help expose the community to potential buyers, but our focus should be on what is best for our current owners. In the current supply and demand market for real estate this potential supply chain is not as important as it has been in the past. As economic conditions change, we always look at what changes may be needed if we see community sales being impacted. As far as golf we do track rental rounds and they are less than 4% of our total rounds. As you state in your comments below many rentals enjoy many of their activities outside Connestee Falls.

Tenant Fees/Rental Properties Cont....

- Renters do not burden the resources. Other than golf (revenue), trails or an occasional use of the lake (our kayaks were used once this season), our renter activities are generally elsewhere. And of course, by not living there full time, our family also does not burden the amenities with access that we pay for year around. The total access for us, plus renters is far below that of full-time residents.
 - While renters may not burden the resources there is an inherent administrative overhead that is needed to register and oversee the different issues that arise during a rental period. Each owner purchased for different reasons and spends different amounts of time here, but each owner equally owns and pays to operate and maintain the community. How each owner uses the amenities is their personal decision, so we don't feel that determining who is burdening what is a useful analogy.

Walking Dogs

- I don't see anything in here regarding dogs and the ability of owners to walk their dogs, other than along the side of the road?
 - Dogs can be walked at the different lake park areas, the walking track near the tennis courts, certain times on the golf course cart paths and 20 miles of hiking trails. There is also the dog park where owners can allow their dogs to run and play off leash for a one-time fee of \$100.

West End Fiber Optic Data

- Last year had to ask for status on amenity loan taken out for the Comporium fiberoptic on the west side. That was finally documented. Again, this year that should be part of the budget detail status and again missing. This should include how many new homes with amenity fees were finalized as part of the loan details. Do not understand why this is left out of presentation since this was a large sum and is critical to using fund in the future.
 - Since the Fiber Optic Project was approved, we have collected the following, all of which went into to the Amenity Reserve; \$372,000 selling CFPOA lots, the sale of 15 custom or spec homes sold contributing \$132,000, and \$332,000 on homes resold on the West Side. This is a total of \$836,000. The Fiber Optic Project total cost was \$874,000 so most likely the entire project cost will be fully recouped by the end of this year versus our initial estimate of 2028.

2022 Budget Prep Process: What happens now?

- October 19th @ 3pm: YouTube Live Special Board Meeting tomorrow afternoon when the Board will vote on the 2022 recommended budget.
- October 25th : **Budget vote sent to all voting members in an email from sharonjenkins@connesteefalls.com with a SurveyMonkey link to a budget overview, FAQ's document, YouTube link to this presentation, a section to fill out member name and #, and a budget vote question either “For” or “Against” to be selected. A voting member without an email on file will be mailed a voting package.**

2022 Budget Prep Process: What happens now?

- December 1: Budget votes are due back.
- December 3: Election Committee counts budget votes and results sent out as soon as possible by eblast.
- December 6: Special Board meeting to announce 2022 budget results.

In conclusion...

- Your CFPOA is in good financial condition; no debt, disciplined expense management, strong reserves, improving financial controls and information technology.
- This budget is in furtherance of the Strategic and Comprehensive Master Plans for our community and provides for improvements that have been identified as essential to the present and future well-being of Connestee Falls.

In conclusion...

- There is, of course, no such thing as a “perfect budget”, but this budget represents our best efforts, and we hope that you will support it enthusiastically.
- On behalf of Management, the Finance Committee, and the Board of Directors, I would like to express our deep appreciation for the questions/comments received. We also appreciated the many supportive and encouraging emails that we did not include within this presentation as they did not have a direct question to answer.
- Thank you for your attendance and interest in the 2022 Budget Process and we thank you for your interest in the CFPOA Operations.