

# HOW CAN THE COSTS BE FINANCED?

## FINANCING OPTIONS

- **Loan:** Lynn's research revealed that WFCFA is not eligible for a bank loan as it holds no collateral. Recent comments suggest that private residents could offer their homes for collateral. At first glance this would seem to be extremely inadvisable. A change in management/WFCFA board composition could possibly jeopardize repayment. Given the constant turnover of the WFCFA Board membership this could create some serious legal ramifications.

Additionally, the math would indicate that dues would still have to be increased to provide for the loan repayment on top of the standard operating expenses. The only advantage of a loan would be the possibility of completing a larger portion of the project at an earlier date.

- **Grants:** To date no grants have been discovered that will assist in this project. Two attempts have failed to acquire funds from the city in 2019. From historical experience, potential grants may be of such a small amount as not to be a significant benefit. Even the city water/sewer grants would be too small to be of assistance. Other grants are targeted to larger waterways such as Lake Monroe and our ponds not eligible. Other philanthropic organizations offer funds for special wildlife conservation efforts. Again, WFCFA does not qualify.

Should anyone discover a feasible program and would be willing to assist with the process it would be welcomed. However, it is often difficult to adhere to the timeframes to submit a grant, wait for approval and then to expend the funds within the grantor's requirements. Likewise waiting for any **legislative solutions** will only delay what has become a crisis. It is a commendable idea that communities with urban waterways should unite to seek relief. WFCFA is not alone with these problems. In fact, it seems apparent from the comments from the city representatives that there is a movement away from developing urban ponds for many reasons. However, that does not dismiss the fact that we have ponds and the obligation to our homeowners to explore the most cost-effective methods to deal with our problems.

Additionally, a former WFCFA Board member did reach out for assistance from the **IU SPEA** group. It is another admirable idea, but it requires the devotion of a WFCFA liaison to continue the relationship. Unfortunately, the member moved away before anything fruitful evolved. Again, volunteers to assist in such an endeavor would be appreciated.

- **Membership Dues:**

An increase in dues appears to be the only recourse for a reliable stream of financing. It appears that a recent recommendation from a homeowner for a dues-increase of an additional \$180.00 was realistically higher than the WFCFA membership would approve in a community vote. Major budget changes will need to be approved by the residents of WFCFA. The next WFCFA Annual General Meeting is scheduled for the fall of 2021. Pending such approval, additional funds would not start to accrue until January of 2022. Under this proposal, it would take two years to accrue enough funds to renew pond #3. Work would be delayed until 2023.

- Should a request to support a pond improvement fail at the 2021 annual meeting, major work would yet again be postponed. Unless a special meeting is called, the next opportunity to garner support

for any pond project would be up for a vote at the 2022 WFCOA Annual General Meeting in the fall. Even if approved at that time, a plan could not be implemented until the summer/fall of 2024!

## RECOMMENATIONS FROM PRACTICAL PROPOSAL

### RECOMMENDATIONS TO ACCRUE THE NECESSARY FUNDS:

1. **Dedicated Pond Improvement Budget:** A separate budget in a targeted reserve account must be created specifically for pond improvement projects. This should serve to assure residents that increases in dues will be dedicated specifically to pond improvement, while affirming that general and reserve funds will continue to support other common area needs. Continued basic pond maintenance such as algae control should remain in the reserve budget.
2. **Transfer from WFCOA reserves:** A minimum of \$40,000 should be initially transferred from the WFCOA reserve budget to the Pond Improvement Budget as a good faith initiative to start the accumulation of the necessary funds. This would leave over \$50,000 in the general reserves to address issues in the common areas throughout WFCOA.
3. **Contributions from Moss Creek and Moss Creek Village:** Since the two HOAs, Moss Creek and Moss Creek Village, are most noticeably impacted by the status of the ponds, they should be asked to contribute directly to the Pond Improvement Budget. Since WFCOA cannot assess these residents at a different rate, the two HOAs could make the contribution designated to be used only for pond improvement efforts. To avoid tapping their reserves, this contribution could come from small increases to the members' monthly HOA dues:
  - i. A simple increase of \$10 per Moss Creek resident would contribute \$120 per resident in addition to their WFCOA dues. There are 70 units. The targeted contribution from MC could total an additional \$8,400 per year. This is just a suggested amount and the amount could vary.
  - ii. A simple increase of \$5 per Moss Creek resident would contribute \$60 per resident in addition to their WFCOA dues. There are 34 units. The targeted contribution from MCV could total an additional \$2,040 per year. This is just a suggested amount and the amount could vary.
4. **Approval from WFCOA membership:** WFCOA should submit a detailed Pond Improvement Budget for approval at the WFCOA Annual Meeting, presenting a multi-year proposal for dues and specified expenses. The issue is much too complicated to ask membership to make the choices between Scenario #1 and Scenario #2 in the Conceptual Design submitted by Andy Knust. The Board has the obligation to sort through the details and select a choice to take to the membership for a vote.
5. **Multi-year Plan:** While some residents believe that the best way to accomplish all the pressing work is to charge a single (or a few) large assessment(s), the counter argument is to request more reasonable increases and phase in the work over multiple years. It is understandable that WFCOA residents who do not live close to the ponds would not want to vote for sizable increases, even if it is over fewer years. Given a quorum, it will take 51% of those attending the WFCOA Annual General

Meeting to approve any significant change in the due's assessments. It becomes a simple matter of math to gauge the impact of expenses on assessments. The simple chart below is based upon WFCFA contributing \$40,000 towards the *hypothetical* cost of \$400,000 and demonstrates the number of years it would take to accumulate final \$360,000 to complete the project with assessments from 410 of the 417 households. (The 410 of the possible 417 figure assumes that some households will be delinquent and provides a cushion for the budget planning.)

**Given a WFCFA contribution of \$40,000 towards the \$400,000 total,  
What would be the assessment for a specific timeframe for 410\* (of the 417) households to fund the remaining \$360,000?**

<b>Number of years to completion</b>	<b>Increase in Dues</b>	<b>Number of years to completion</b>	<b>Increase in Dues</b>
1 year	\$878.05	6 years	\$146.34
2 years	\$439.02	7 years	\$125.44
3 years	\$292.68	<b>8 years</b>	<b>\$109.76</b>
4 years	\$219.51	<b>9 years</b>	<b>\$97.56</b>
5 years	\$175.61	10 years	\$87.80

It is immediately obvious that it is necessary to create a balance between increasing dues against the time it takes to accrue enough funds to complete the project. As has been explained, a phased-in approach can allow for the gradual accumulation of the required funds. The following worksheet provides a suggested budget that balances the increase in dues and the time factor. The method to create a reserve budget, as presented in the “Current Assessment Funding Model” submitted by Reserve Design Advantage last year, was emulated utilizing the figures from *Option B Pond Renewal* on page 15 of the Practical Proposal. The interactive worksheet is available upon request to any WFCFA member who would like to explore the options.

Note that the following chart:

- Assumes that WFCFA will transfer \$40,000 to start the Pond Improvement Budget.
- Assumes that Moss Creek and Moss Creek Villages will agree to contribute to the dedicated Pond Improvement Budget.
- Does not preclude WFCFA from continuing to dredge pond #3 and/or reinforcing the bank behind 604 E Winslow Farm Drive during the summer/fall of 2021.

**A Summary Comparison of OPTION B v the Stream Channel Option**  
Based upon the Hypothetical Estimates Provided in The Conceptual Design

Item	Option B Pond Renewal	Scenario #2 Stream Channel
1. Overall costs using estimates from Knust Report	<b>\$400,000</b>	<b>\$421,000 installation</b> <i>(+ potential \$154,000 ancillary costs Total: \$575,000)</i>
2. Additional Costs	Technical reports to obtain construction bids	Engineering design, technical reports for bids, permits, landscaping consultants, possible legal services related to property easements, long term habitat survey. Approximate \$154,000
3. Pond Dredging every 10 years	Seven ponds	Five Ponds, plus cleaning of what is now Pond #4
4. Sediment Forebay clean-out	Pond #3	Pond #5
5. New Landscaping	Status quo With estimates for some shoreline stabilization	Concerns with regards as to which organization will be responsible for bank maintenance for areas P3 High maintenance first few years until vegetation is established
6. The time necessary to accrue funds for the first phase of the project	<b>Year 2023</b> for Pond #3	<b>Year 2025</b> for ponds #3, #4 and #5
7. The year the last phase of the project is to be completed	<b>Year 2028</b> for Pond #7	<b>Year 2032</b> for Pond #7
8. For WFCA residents outside Moss Creek and Moss Creek Village HOAs, the total increase of \$100 for the duration of the project.	<b>\$700</b> For seven years, 2022-2028	<b>\$1100</b> For eleven years, 2022-2029
9. For Moss Creek residents with \$10/mo. increase in HOA fees, their total combined increases for the duration of the project	<b>\$1,540</b> For seven years, 2022-2028	<b>\$2,420</b> For eleven years, 2022-2029
10. For Moss Creek Village residents with \$5/mo. increase in HOA fees, their total combined increases for the duration of the project	<b>\$1,120</b> For seven years 2022-2028	<b>\$1,760</b> For eleven years 2022-2028

## TIME AND FINANCE CHART FOR WFCA OPTION B POND RENEWAL

Year	Balance Brought Forward	WFCA dues increase over current	Total from WFCA Dues (410 units)	MC Monthly Dues Inc	MC Total Contribution (71 units)	MCV Monthly Dues Increase	MCV Total Contribution (34 units)	Grand Total Contribution For Year	Project For Year	Estimated Expense For Year	End of year Balance
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	more dredging of pond #3 & obtain approval from membership		\$0
2022	\$40,000	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$91,560	Establish separate pond budget		\$91,560
2023	\$91,560	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$143,120	complete pond #3	\$121,000	\$22,120
2024	\$22,120	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$73,680	none	\$0	\$73,680
2025	\$73,680	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$125,240	pond #5	\$61,000	\$64,240
2026	\$64,240	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$115,800	pond #4	\$85,000	\$30,800
2027	\$30,800	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$82,360	pond #6	\$68,000	\$14,360
2028	\$14,360	\$100	\$41,000	\$10	\$8,520	\$5	\$2,040	\$65,920	pond #7	\$65,000	\$920

The chart is summarized as follows:

- Pond #3 could be dredged, and a new liner installed the summer/fall of 2023.
- The pond renewal project would be addressed over time and be completed by the summer/fall of 2028.
- Over the seven-year life of the project:
  - WFCA residents would pay an additional \$100 in dues each year for 7 years, totaling \$700.
  - To help assuage the concern of those who do not reside close to the ponds, *The Practical Proposal* recommends that those residents who live closest to the ponds make larger contributions toward maintaining the quality of the ponds. Since WFCA is not permitted to charge select members more dues, MC HOA and MCV HOA could each make annual contributions. In the example/suggestion above this could be accomplished without tapping into their reserves by increasing HOA monthly dues by \$10/month for MC and \$5/month for MCV. The money would be dedicated for use ONLY in the specified pond improvement account/budget, not to be co-mingled with WFCA general reserve funds. This approach provides that:
    - MC HOA residents would pay \$700 from their WFCA dues and \$840 from their MCHOA dues, for a total of \$1,540 over the seven years.
    - MCV HOA residents would pay \$700 from their WFCA dues and \$420 from their MCVHOA dues, for a total of \$1,120 over the seven years.