



Road Condition Assessment Studies and Committee Progress April 2023



OVERVIEW





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TOPICS TO REVIEW

- Road Committee Overview
- Road Committee Focus Areas
- History of Road Improvement Efforts
- Road Assessment Analysis
- Proposal Details
- Funding Strategies/Options
- FAQs: Ditches and Culverts, Water Company, Speed Control
- Member Forums & Feedback Session



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PURPOSE AND GOALS

- Establishment of Road Committee comprised of a **diverse cross-section of member Subject Matter Experts (SMEs), including:**
 - Real Estate Development
 - Program Management
 - Civil Engineering
 - Financial Management
 - Communications
- **The primary purpose of committee is to identify a fiscally responsible scope of work for the entire 15.5-mile road system that can be reasonably maintained - all supported with an optimal funding solution.**

STRONG INFRASTRUCTURE PROMOTES A LONG-LASTING COMMUNITY



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ROAD COMMITTEE LEADERS

- **Jim Hill: Due Diligence Assessment, Scope Refinement and Supplemental Oversight of Project Implementation**
- **Daryl Vander Weerd: Communications**
- **Jim Burlison: Funding and Finance**
- **Tom Harman: Governmental Agency Liaison and Project Onboarding Support**

Additional members providing significant Road Committee participation:

Bob Klein, Gary Weber, Bob Grady, Joe Boos, Steven Wherry, Bob Sudholt, Brian Nisbet, Chad Elledge, Mark Ohlendorf, Nancy Windorff, Emily Brickler, Marsha Schramm, Beverly Baker, Jeff Lindemann, Lois Henderson, and the ILPOA board



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COMMENTS FROM 2021 COMMUNITY SURVEY

- Common theme of interest to invest in the roads.
- Majority of comments noted that high-density roads were a priority with a focus on Lakeshore Drive, inclusive of entrance/exit roads.
- Most believe the efforts require a 2-to-3-year process for the high-traffic roads and 5 years to complete all roads.
- Many members desire a water company solution with a water company guarantee for any repairs.
- There needs to be a plan that includes ILPOA member input and is communicated to all members.
- Comments indicate an understanding that road improvement efforts require a major assessment.
- Some members are interested in a walking path; however, the concept requires further clarification. Not all roads would need or could accommodate a walking path.
- There is a concern for improved speed control measures – speed bumps, cameras, etc.
- There are concerns regarding the need to address heavy truck traffic.



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COMMITTEE FOCUS AREAS



Road Repair



Interface with Water Company



Communications to Members



Optimal Funding Strategy



Ditch and Culvert Strategy



As voluntary Subject Matter Experts, we acknowledge a fiduciary responsibility to the members of our community and strive to meet the community's collective needs.

We acknowledge that a one-size-fits-all approach will not work; however, the proposed scope will provide improvements throughout, for all members. The proposed scope will address significant safety concerns, subsequently provide a road map for infrastructure maintenance, and ultimately protect each member's property value.



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HISTORY OF ROAD IMPROVEMENT EFFORTS

- **Current POA fees do not support community infrastructure needs.** There have been several attempts since 1978 to increase annual dues through Building Use and Restrictions (BUR) change (14 BUR votes from 1978 through 2019).
- In **2018 and 2019, the Association successfully passed assessments for the bridge project.** ILPOA was subsequently sued by a contingent of members and the case was ultimately heard by the Missouri Supreme Court where ILPOA prevailed: *Assessments are allowed.*
- **Road maintenance and repairs were severely neglected in the community from 2000 to 2021,** which is largely attributed to insufficient capital reserves. However, two independent road assessments with proposed scopes of work were completed in 2016 and 2022, along with budgetary pricing. Based on all professional assessments, including a no-cost peer review and supplemental contractor review, the road surfaces are largely beyond their useful life and require prompt action.
- **In the past two years, approximately \$80K in operating budget proceeds were utilized** to patch select small areas of the most severely deteriorated and most traveled areas.
- Following the board's review of the road assessments and the obvious funding shortfall, a Road Committee comprised of more than 20 volunteers was assembled in Q3 2022, which subsequently resulted in the formation of five strategic subcommittees based on professional experiences and their willingness to dedicate personal time towards this crisis.



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ROAD ASSESSMENT ANALYSIS

- 2016 and 2022 Road Assessments analyzed
- Further consultation with Cochran & Associates and a preliminary group of qualified contractor candidates

Conclusion: We have developed a high-density and low-density approach to achieve needed road improvements in a fiscal manner

Please review the road studies at <https://ilpoa.org/roads-initiative/>

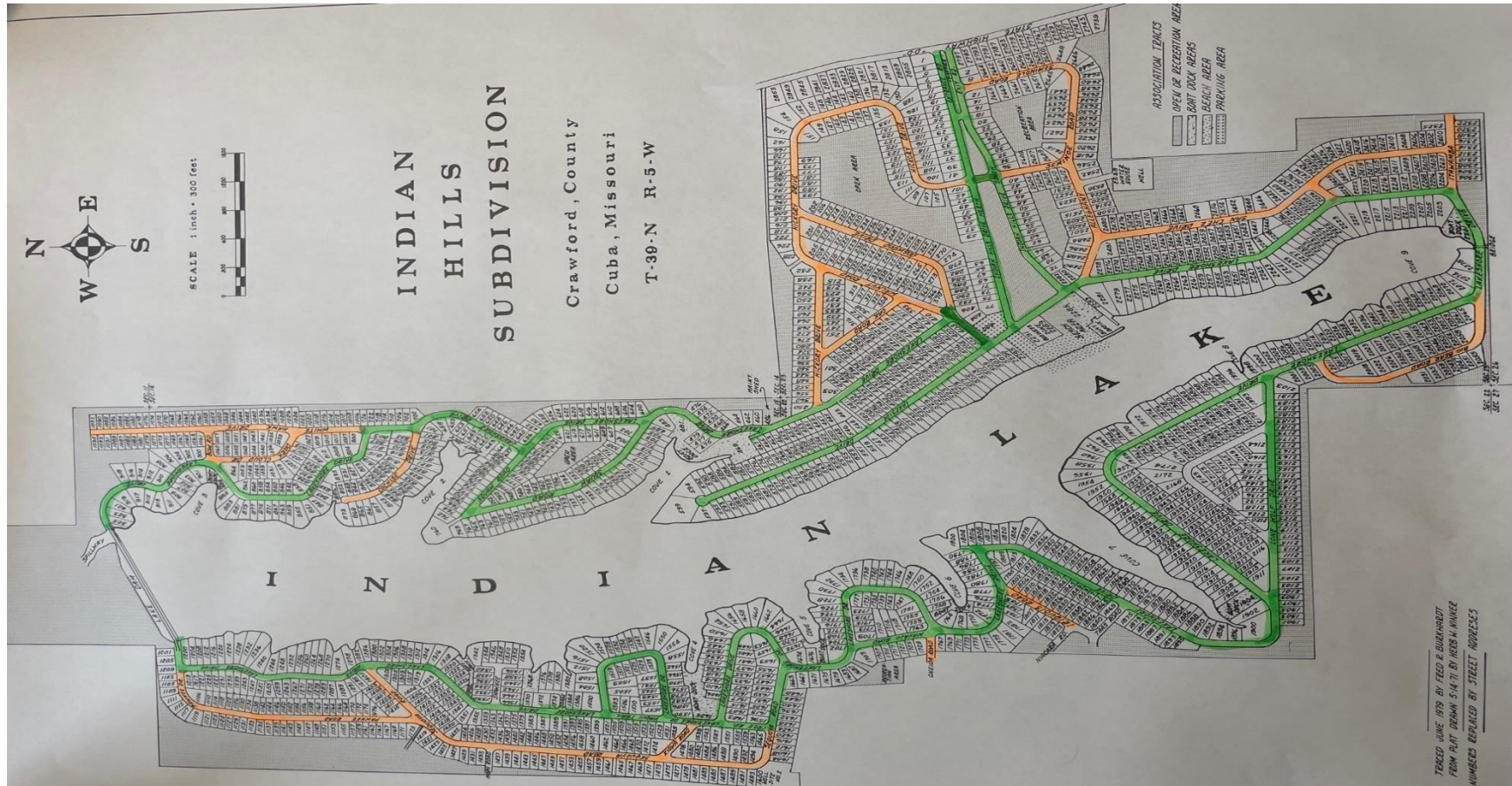
2016 ESTIMATE	2022 ESTIMATE	2023 ESTIMATE
<p data-bbox="1100 618 1416 661">\$1.7M to \$2.2M</p> <p data-bbox="1090 708 1452 1096">Varying treatments noted depending on condition of road area using an industry standard rating system. The failures noted were largely attributed to neglect or lack of adequate maintenance.</p>	<p data-bbox="1612 618 1928 661">\$2.8M to \$4.2M</p> <p data-bbox="1579 701 1911 862">Base price increase attributed to inflation and increasingly deteriorated roads.</p> <p data-bbox="1579 921 1959 1350">The high-end range included significant culvert and ditch repairs that were reviewed independent of potential road improvements and may be deferred or completed either in-house or by individual members.</p>	<p data-bbox="2219 618 2311 661">\$3M</p> <p data-bbox="2038 708 2448 1008">The estimate based on anticipated value-engineering efforts further supported by our engineers, and includes consulting and engineering contingencies.</p> <p data-bbox="2038 1065 2402 1318">Estimate sourced from select firms indicate we can implement a long-lasting solution for all roads, if followed by regular maintenance.</p>



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ROAD ASSESSMENT ANALYSIS



High-Density Roads (Green)

Low-Density Roads (Orange)



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LOW-DENSITY ROADS (ORANGE)





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HIGH-DENSITY ROADS (GREEN)





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PROPOSAL DETAILS

High-Density Road Treatment

- Patch, prime, and add no less than a 0.5" wedge/base coarse.
- Overlay with new 3" asphalt, tapered and compacted with vibratory roller.

Low-Density Road Treatment

- Rotomill existing asphalt; grade and shape
- New 3" asphalt, tapered and compacted with vibratory roller.

Total Cost: \$3MM for 15.5 miles

Long Term Maintenance Plan

- Upon completion of new roads, **chip and seal every 5-7 years will be required at a cost of approximately \$500K, or \$2.75 per square yard.**
- The maintenance crew will complete patching annually based on engineering-approved guidelines. Our annual operating budget provides ~\$50K for road repairs and maintenance, as needed.

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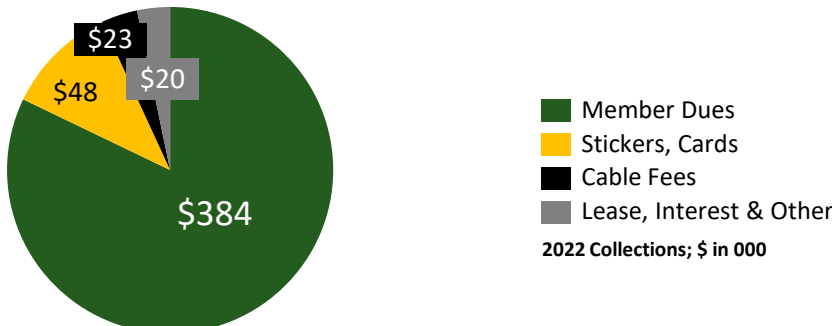


FUNDING STRATEGIES

What is the ILPOA annual budget and how does association collect and spend

How Does our Association Generate Income?

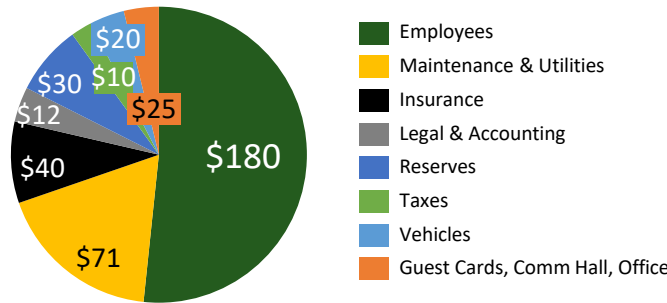
The Association **generates approximately \$440K per year in income**, of which over 80% is generated by annual dues. **Annual dues per primary lot are \$363 in 2023.** Additional lots and half lots are a reduced fee. ILPOA generates an additional \$75K in income from boat stickers, ATV & Golf Cart stickers, RFID cards, and cable fees. The Association is not eligible for any tax revenues or government grants.



Total Operating Income 2022: \$475,537

How Does the Board Spend the Money?

The board is tasked with allocating funds to run ILPOA. Our dues must maintain the infrastructure in the community, including common areas, community center, office, docks, dam infrastructure, and most importantly the lake. The board has considering engaging a management company and outsourcing maintenance and office tasks; the costs outweigh the benefits. A management company fee is 8% of our revenue (\$35K) just to print and send invoices, and office and maintenance services require an additional fee.



Total Operating Expenses: \$386,300

There are ~1,000 members in Indian Hills who own lot(s). Per the board, ILPOA is restricted from having multiple classes of members, and can only raise the annual dues by the STL CPI annually. To change the BUR, 67% of lot owners must agree to the change. With 2/3 of **voting member** approval, ILPOA may implement special assessments through the By-Laws, a strategy that was used to replace the Cove 9 bridge in 2021. Per our By-Laws Article II Members Section 1, Classes of Members: ILPOA shall have only one (1) class of Association Members which shall consist of those persons who own a lot or lots in Indian Hills subdivision. Please see a copy of our BUR, By-Laws, and Rules and regulations at www.ilpoa.org/rules and at www.ilpoa.org/documents

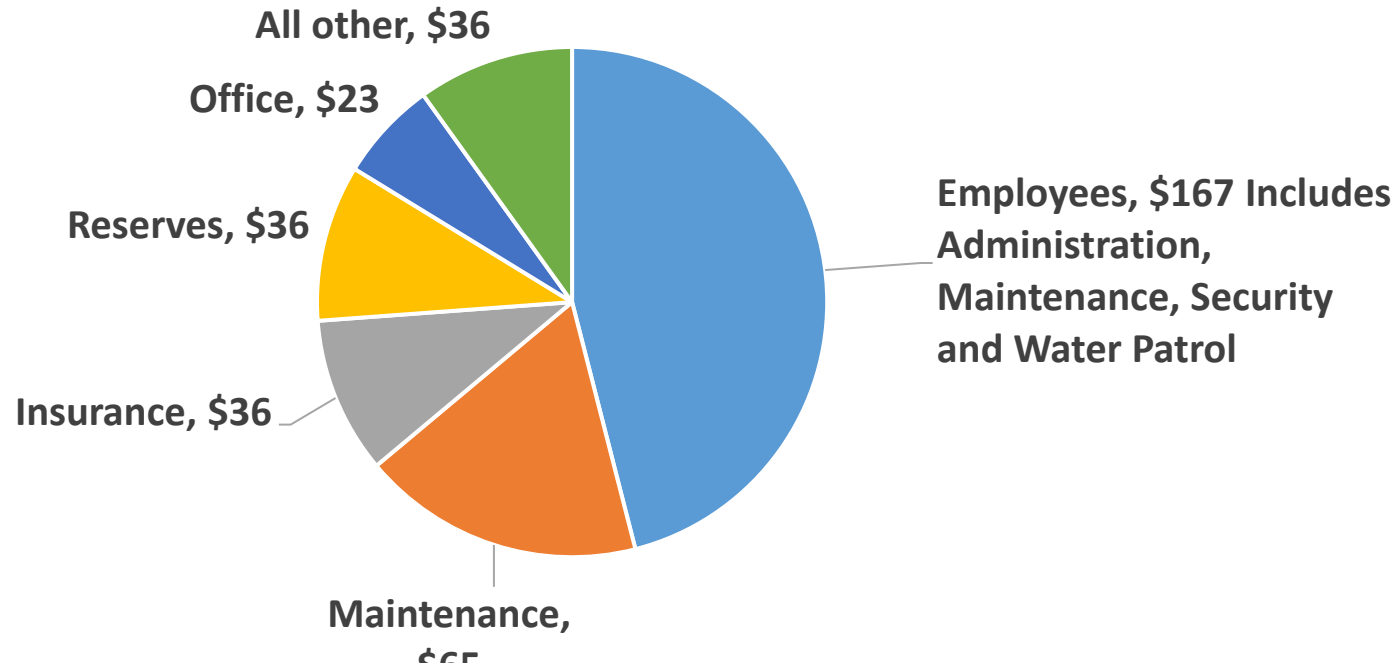


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FUNDING STRATEGIES

What does our \$363 in annual dues pay for?



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FUNDING STRATEGIES (continued)

Examples of Non-Recurring Expenses

Capital Expenses

Maintenance truck and security vehicle replacements, Community Hall improvements, office, docks, new card system for gate, etc. (2022 Expense: \$90K)

Lake Health

Intensive testing, Lake Restoration efforts, etc. (2022 Expense: \$27K)

Significant Road Repairs

Contract road maintenance (2022 Expense: \$40K)

Audits and Studies

Mandatory third-party audit & engineering studies: (2022 Expense: \$42K)



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FUNDING STRATEGIES (continued)

Why can't we pay for roads with our operating budget?

ILPOA dues are less than half of similar communities and fall significantly short of supporting our non-recurring expenses or large capital infrastructure projects. Currently, the Maintenance Department's annual road budget is approximately \$50K, which does not support even the most basic of repairs.

*A **Special Assessment for Roads** or **Raising of Basic Dues** is needed to provide adequate level of services for our community.*



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COMMUNITY DUES & ASSESSMENTS - COMPARISON

	<u>Annual Dues</u>	<u>Miles of Road</u>	<u>Community Size</u>
Lake Sherwood	\$2,078	26	540 Members
Lake Winnebago	\$1,200	14	540 Members
Lake Viking	\$925	22	1,800 Membres
Lake Perry	\$875	11	661 Members
Goose Creek Lake	\$785	TBD	6,000 Lots
Spring Lake	\$700	5.7	100 Lots
Grayhawk	\$625	TBD	2,500 Lots
Wildwood	\$500	26 (Gravel)	500 Members
Raintree Plantation	\$383	TBD	750 Homeowners
Indian Hills Lake	\$363	15.5	1,000 Members
average	\$843		
Average w/ out ILPOA	\$897		



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CAPITAL RESERVE STUDY

What is a Capital Reserve Study

A reserve study is an in-depth evaluation of a Property Owner Association's physical components and an analysis of its reserve funds as defined by Community Association Institute - National Standards. Based on a thorough on-site inspection, a custom reserve study details anticipated replacements or repairs to common-area elements and recommends annual reserve funding to cover capital expenditures for the next 20 to 30 years.

A custom reserve study provides community association managers, board members and property owners assurance that future major property expenses are identified early and that a funding plan is in place to pay for those expenses.

Why is a Reserve Study Needed?

To Maintain the Property's Value and Appearance

A reserve study helps maintain the property's value and the property owner's investment. By identifying and budgeting for future capital improvements, the property's common elements continue to look attractive and well-kept, adding to the community's overall quality of life.

To Fulfill the Board of Directors' Fiduciary Responsibility

Board members of community associations have a fiduciary responsibility to their members. Directors are legally bound to use sound business judgment in guiding the association and cannot ignore major capital expenditures or eliminate them from the budget.

To Establish Sound Financial Planning and Budget Direction

A comprehensive reserve study lays out a schedule of major repairs or replacements to common property elements and applies cost estimates to them. To ensure property owners have adequate reserve funding to cover anticipated costs, a reserve funding plan typically spans 20 or 30 years. In short, it's your blueprint for the future.

To Comply with State Law

Many states now require community associations to disclose reserves, accumulate reserves or have professional reserve studies conducted. It's anticipated more states will adopt similar legislation.



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COMMUNITY FINANCING OPTIONS

The Committee is engaged with a specialized HOA lender (CIT) that leverages the collection authority of the special assessment to provide a loan

- CIT provides Community Association Banking Loans at reasonable rates
- Loan terms depend on project – typically 10-15 years
- Rates are determined based on US Treasury Rates with a small spread (March quote: 6.25%)
- The passage of a special assessment qualifies as collateral for the loan (no Members, community property, or board members are individually held responsible for loan payment)
- Approvals are fast (typically less than 2 weeks)



What does a Loan Allow us to Do?

- **Complete project in 18 months or less**
- **Provide protection against inflation**
- **Known costs for payments for length of loan**
- **Prepay principal to reduce total obligation**



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FUNDING OPTIONS

Two options have been evaluated for funding roads and delivering a solution in a short period of time:

One Time Assessment: \$3MM

- 1,000 Members* (Owners)
- \$3MM divided by 1,000 members:
\$3,000 per Member due immediately
- Will place undue burden on members who may not have funds available to make a lump-sum payment for special assessment.
- Will not allow for adequate contingency for future road paving needs (maintenance)

\$4.5MM Assessment over 7 Years

- 1,000 Members* (Owners)
- \$4.5MM divided by 1,000 members:
\$4,500 per Member payable over 7 years; options to pay in full, pay \$650 annually or pay \$54 monthly.
- Additional funds needed for borrowing costs of loan (interest estimated at \$750k over 7 years).
- ***Borrowing option will allow us to complete roads in 18 months or less and extend payments over a longer period of time.***

* A member is defined in the By-Laws Section 1 as 'persons who own a lot or lots in Indian Hills subdivision'. Section 2 Voting Rights clarifies "Each Member in good standing shall be entitled to one (1) vote on each matter submitted to the vote of Members, irrespective of the number of lots to which said ILPOA Member may hold title."



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MEMBER FINANCIAL OBLIGATION

Proposal: All funds collected by special assessment are RESTRICTED and only permitted to be used for purposes of road repair or road maintenance.

Committee strongly recommends extending payment period over a number of years as opposed to a pay-in-full option.

Shall the Board of Directors of Indian Lake Property Owners Association, Inc. be authorized to levy a special assessment in the amount of \$4,500.00, collectable over a period of seven (7) years with \$643.00 due each year for the purpose of reconstruction and repair of roads within the Indian Hills Subdivision, payable by each member who owns a developed lot (lot with a dwelling) and/or an undeveloped lot (lot without a dwelling) within the subdivision. Each member, irrespective of the number of lots to which they may hold title, shall only be responsible for one (1) assessment charge. Members will have the option to make one payment or seven (7) equal installment payments of \$643.00, with the first installment due no later than March 1, 2024 and no later than March 1 of each of the next six (6) years.

The Board of Directors of Indian Lake Property Owners Association, Inc. shall be authorized to obtain a loan not to exceed Three Million Two Hundred Thousand Dollars (\$3,200,000.00) from a lending source approved by the Board of Directors, payable on terms approved by the Board of Directors, for the purpose of road repair and reconstruction.

The Board of Directors of Indian Lake Property Owners Association, Inc. shall also be authorized to budget the expenditure of the money collected under this special assessment. All monies collected pursuant to this special assessment shall be held in a separate account for the Indian Lake Property Owners Association, Inc. road repair and construction fund, and used for repayment of the loan.

BALLOT ITEM NUMBER ONE YES NO

If you are in favor of the question, please an "X" in the box opposite "YES". If you are opposed to the question, please an "X" in the box opposite "NO".



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MEMBER COMMUNICATION

We are conducting a series of member forums over the next three months to obtain feedback on the following areas, with the goal of holding a vote in July 2023:

Project Details

Funding Needs

Loan FAQs

Long-Term
Maintenance Plan

Funding Accountability

Engineer Support

Speed Control

Projected Timeline

Email: roads@ilpoa.org



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COMMUNITY FORUM/VIDEO MEETING SCHEDULE

ILPOA Community Center

- 4/15/23, Immediately following Quarterly Mtg
- 5/27/23, 9:00 AM
- 6/24/23, 9:00 AM
- 7/1/23, 9:00 AM

Video Meetings (Link will be announced)

- 5/9/23, 6:30 PM
- 6/1/23, 6:30 PM
- 6/27/23, 6:30 PM

Community Meetings

- 4/17/23: 6:30 PM / Spencer Road Library
 - 427 Spencer Road, St. Peters MO 63376
- 5/25/23: 6:30 PM / Mid County Library
 - 7821 Maryland Ave, St. Louis MO 63105
- 6/15/23: 6:30 PM / Eaton Corporation Office
 - 62 Soccer Park Road, Fenton, MO 63026



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FAQs

Ditches & Culverts

Per engineering team recommendation, a secondary review will be completed once the roads have been completed and select culverts addressed by the maintenance teams during the interim period. The majority of culverts are working as intended, though individual annual maintenance is required.

Speed Control

As the project is being finalized, we will consider recommendations from our engineer partners (Cochran) regarding implementation of appropriate speed control measures throughout the community.

Heavy Truck Regulation

Will ensure that industry-standard weight restrictions are implemented and enforced for construction vehicles and other vendors who are using the roads for commercial purposes.

Water Company

Agreement with water company executed in 2021 to enforce patching guidelines. Revised in 2022 to align with best practices, utilizing temporary infill until permanent patches are completed.

What if I sell my house/lot?

It will be owner's responsibility to assign or collect future assessment obligations at time of sale and will be part of title review and purchase agreements moving forward.



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Water Company Agreement and Partnership

There has been a general water company road repair agreement in place since 2020, and this agreement was revised in 2022 (copy of agreement available at ILPOA.org)

Summary of Agreement

- Water company required to return road to “like condition”
- Fill of excavated area to be backfilled using “minus” (new in 2022, revised from using “clean”)
- 28 days from day of repair, area shall be patched using cold mix asphalt
- Option for ILPOA maintenance or using a vendor to complete patching

Recent Outcomes

- Over 2021 and 2022, leveraged vendor to catch up and complete water company patches (billed back to water company)
- Significant leak in entrance area in 2021; water company repaired to “like condition” by cutting and patching concrete to original specifications
- Agreement that with our new roads, repairs will be completed in timely fashion and restoring to like specifications



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Website

<https://ilpoa.org/roads-initiative/>

- Will be posting presentations, FAQs, and updates on the website at the above link
- You may navigate to this site on our homepage (www.ilpoa.org) and hovering over community and selecting “Roads Initiative”
- Road studies, Water Company agreement, Loan information, Reserve Study information, and other helpful information is posted in the documents section

Email: roads@ilpoa.org



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QUESTION AND ANSWER SESSION

