

Hollybrook Golf and Tennis Condominium
Strategic Planning Committee

final report
August 2015

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EXECUTIVE SUMMARY

The President of Hollybrook commissioned a committee early in 2015 to develop a strategic plan to ensure the long term sustainability of the condominium. The membership of the committee included Board members, senior executives of the Corporation, and unit owners with expertise in strategic planning. The committee consulted with the community, and benefited from numerous inputs from residents, as well as *ad hoc* participation by individual members of the Executive and Board members. The committee also interacted with the restaurant committee and golf task force.

Hollybrook is a successful and thriving community of permanent and seasonal residents enjoying access to superior common amenities designed for active seniors. We are also an aging condominium, with attending challenges to renew our infrastructures, upgrade services and amenities, and modernize operations if we are to be seen as an affordable and attractive option for people wanting to spend their retirement years in Southern Florida.

From input received by residents, briefings by management and consultants, analysis of a Reserve Study conducted in the first quarter of 2015, and our own deliberations, the committee identified several issues that need to be addressed if the condominium is to optimize its potential as a preferred option for active seniors moving into the South Florida residential market either on a permanent basis, or as seasonal residents.

While reaffirming Hollybrook's values and 55+ mission, and celebrating the richness of our increasingly diverse community, the report addresses the following priorities:

- modernize management and financial systems;
- strengthen governance and operating procedures;
- ensure fair and equitable access to our signature golf course;
- implement a multi-year plan to maintain assets;
- expand the portfolio of activities and services to reflect evolving needs and expectations of existing and new residents;
- pro-actively market Hollybrook Golf and Tennis Condominium to prospective

- investors based on a forward looking value proposition;
- explore ways and means to implement proven and cost-effective environmentally preferred practices;
- fast-track implementation of web based interactive tools to facilitate communications with residents.

Hollybrook has been since inception an excellent value proposition for active seniors in Southern Florida, with amenities second to none to live and play in a beautiful and safe physical setting. The committee is confident that Hollybrook has the wherewithal to build on that value proposition by providing new generations of retirees with a similar positive experience, thereby ensuring the long term sustainability of our community. It is our hope that our recommendations will assist the community in charting the road ahead.

SUMMARY OF RECOMMENDATIONS

- The committee deliberated on the conclusions of a reserve study conducted in first quarter 2015, which identified the financial requirements for Hollybrook to renew its aging infrastructure. Unit owners have waived in years past the statutory requirement for maintaining « fully funded reserves », and relied on budgetary allocations, special assessments, and loans to provide funding for capital expenses. Considering our aging assets, and faced with competition from newer sites, Hollybrook cannot afford to let its infrastructure deteriorate. A key aspect of adopting a forward looking mindset is to implement an aggressive capital maintenance program. Accordingly, the committee recommends building over a period of five or six years a reserve fund representing 70% of planned capital upgrade requirements thereby establishing a funding level recognized by the community association industry as 'adequate'. We propose doing so by adopting a revised budget process, and allocating a set percentage of maintenance fees to a pooled reserve fund.
- The committee endorses the modernization of operations being implemented by Hollybrook's CEO with emphasis on preventative maintenance, project management, upgraded human resources, procurement tracking, improved operating discipline, and budgetary accountability.
- The committee recommends commissioning an external safety audit to evaluate the effectiveness and efficacy of Hollybrook's security systems and operating procedures, with the objective of assuring the safety of our residents at all times while facilitating legitimate access to our gated community by visitors, including eating at the restaurant, participating in golf tournaments, and joining social events.
- The committee proposes a dedicated effort to update Hollybrook's documents to resolve conflicts in election procedures, clarify roles and responsibilities between Management, Officers and the Board, and align language with relevant Florida statutes. We also recommend strengthening the governance of Hollybrook by creating Board level committees on Audit, Compensation, Insurance and Rules.

- The committee heard from many residents frustrated with constraints in their access to desirable tee-off times during the winter season. A Golf Task Force has developed recommendations to improve access to the PGA golf course during the busy winter season, which we support. This committee is of the opinion that an allotment system needs to be implemented to ensure fair and equitable access to the PGA golf course, and maintain the attractiveness of Hollybrook for future residents who expect to play golf on a regular basis. The committee therefore makes far reaching recommendations to limit the number of weekly tee-times allotted to each unit, reduce the number of eligible players per unit, and suggests opening discussions with other golf courses to increase the total number of tee-off times open to Hollybrook golfers each week.
- The committee recommends a new paid position of Director of Recreational Programs to facilitate and coordinate implementation of an expanded portfolio of activities reflecting the interests of a new generation of active seniors looking for an attractive value proposition to live and play in Southern Florida.
- With the increasing societal focus on environmental sustainability, the committee recommends the creation of a scoping committee to explore ways and means for Hollybrook to implement cost-effective environmentally preferred solutions to minimize water and energy use, implement 3Rs (Reduce/Reuse/Recycle) programs and practices, select appropriate fertilizers and insecticides, and transition to hybrid/ electric security vehicles.
- The committee recommends fast-tracking the implementation of web-based communication tools to assist residents in obtaining information related to condominium activities and operations.
- The committee recommends for Hollybrook to adopt a pro-active marketing plan, possibly in partnership with a real estate firm, to attract new investors to our community.

MANDATE AND SCOPE

A Strategic Planning Committee was commissioned by the President of Hollybrook in the first quarter of 2015 to make mid to long term recommendations to management and the Board of Administration towards ensuring the sustainability of the condominium as a premier facility for active seniors in Southern Florida.

Hollybrook is blessed with tremendous facilities, a strong financial balance sheet, a thriving community, and an advantageous location! We must build on these assets, not create a new model.

This being said, the world has evolved over the past 40 years, and residents have expectations that need to be met.

In scoping out the mandate, the Committee focused on a number of aspects critical to ensure the long term sustainability of the Condominium:

- adapting to changes in the demographic make-up of Hollybrook;
- ensuring clear governance and transparent decision-making;
- maintaining infrastructure, grounds and buildings;
- expanding the portfolio of recreational facilities and vocational activities;
- streamlining management processes;
- delivering balanced annual budgets;
- planning for timely and cost-effective capital renewal;
- providing for sufficiency of reserves;
- assuring financial capacity to keep the complex shipshape;
- improving communications and delivering effective marketing.

The committee identified in each case opportunities to build on existing strengths and if needed to correct for weaknesses in the process of modernizing the condominium.

In developing its recommendations, the committee was guided by a set of planning principles (further developed below) and three strategic objectives:

- retention of existing residents;
- attracting new residents;
- maintain affordability.

« Residents » should be understood as unit owners who reside in Hollybrook either on an annual or a seasonal basis. The committee did not focus on the situation of lessees, except to the extent of creating a favourable environment for ownership and residency.

On two topics important to residents of Hollybrook, - namely equitable access to the golf course by all residents, and a well functioning restaurant that serves the needs of most residents -, the committee was mindful of the work being done by separate committees. As this report was finalized, a new restaurateur had recently been selected by the Board, with credentials and expertise to cater events in an expanded social and sporting calendar.

Equitable golf access is a complex issue. Hollybrook's Declaration of Condominium spells out the right for all residents to use common facilities, and specifies the number of residents per unit who can enjoy that privilege. The law also provides for access privilege to common elements to be assigned to lessees. This committee is fully cognizant with the reality of the Hollybrook PGA golf course operating during the winter season at over capacity, with no significant easement in the foreseeable future. Although the high number of rounds being played on the PGA golf course is a signal of the attractiveness of the facility, overcapacity could well detract from the strategic objectives of retaining residents who are avid golfers, let alone attracting new ones. The committee did receive numerous complaints from residents about inequitable access to morning tee-off slots as a result of reserved times for members of the HMGA and HWGA four mornings a week, arbitrariness in the operation of the Winter League, as well as abusive practices by some units to secure tee-off times (by placing non resident individuals on the unit deed/lease for instance).

The Golf Task Force has been deliberating on ways to improve access for all golfers, irrespective of membership in the Leagues, by fine-tuning the points system, and reducing the impact of tournaments on available tee-off times. The committee fully endorses those initiatives which will contribute to improve somewhat the situation.

However, in the opinion of this committee, fine-tuning the existing system will not be sufficient to significantly reduce systemic overcapacity during the winter season, and alleviate the negative perception being created for many seasonal residents, let alone potential investors. The committee has therefore concluded that some form of weekly tee-off allotment for each condominium unit will need to be implemented during the winter season, the details of which need to be further developed under guidance by the Board of Administration (see Annex 6 for a suggested approach to implement an allotment system). In addition to weekly allotment of tee-off times, the Board of Administration may want to consider recommending a change in our documents limiting the number of eligible golfers to 2 per unit. Even with an allotment system, and limiting the number of eligible golfers per unit, access issues will likely remain; additional measures may need to be explored, including contractual arrangements with external golf courses for a set number of tee off times reserved weekly for Hollybrook golfers.

CONTEXT SETTING

Hollybrook is an aging condominium in Broward County, which competes with newer sites and communities in fashionable Palm Beach County or the West Coast in attracting the targeted clientele of active seniors looking for a place to live and play year round or during the winter months. Failure to retain and attract residents would inevitably erode the financial capability of the condominium over time, and diminish the wherewithal of the community to maintain common elements at the desired standard, which would create in turn a vicious circle leading to decay and ultimately decreased quality of life for residents. It is therefore vital for the long term sustainability of Hollybrook to be, and be seen to be by potential buyers as an attractive, premier community for active seniors to invest and move in, and this means maintaining our standards, and improving our offering relative to competing communities.

For the past 40 years, Hollybrook residents have waived the requirement under Florida statutes for maintaining fully funded reserves, thereby relying on annual budgets (expenditures in schedule « O »), cash-flow, loans, and special assessments to address capital renewal requirements and new capital expenditures. For a condominium pushing 50 years for some of its assets, the « pay as you go » approach is not seen as a sustainable approach to convince potential buyers of the ongoing ability of the condominium to maintain the common elements to the expected standards. A Reserve Study conducted in the first quarter of 2015 has concluded that, although common elements in Hollybrook are generally in good condition, there will be significant costs in the future associated with their maintenance, and a « pay as you go » approach is imprudent. Therefore, the Condominium should start building « pooled reserves » to prepare for the inevitable capital renewal expenses in the future. As defined in the reserve study, pooled reserves can be « adequate», or « less than adequate ». In view of the fact that the life expectancy of some of the assets is somewhat uncertain, and that the timing of major expenditures is to some extent flexible, the committee has concluded that maintaining 100% pooled reserves may not be necessary, provided the condominium is managing the planned capital renewal

expenses within a multi year schedule that balances cash flow requirements over the planning period. Combined with a tightened preventative maintenance operating discipline, such an approach based on cash flow requirements over time would mitigate somewhat the needs to immediately fill the reserve fund to address future capital renewal of our aging infrastructure. **We define « necessary reserves » as « less than adequate pooled reserves » representing 70% of the anticipated financial requirements to maintain our assets year over year over the longer term.** The committee envisions a timeframe of 5-6 years to build the necessary reserves from which to fund capital renewal projects in a sustainable manner. In this way, foreseeable capital expenses would be funded from reserves without creating an undue financial burden on unit owners. Potential buyers would also have confidence in the ability of the condominium to « pay its way » without having to resort to off-budget sources of funding for capital expenses.

Because of their significant financial impact, and despite being excluded from the classes of assets addressed in the Reserve Study, the committee recommends adding the following expenditures to the capital renewal calendar of projects funded from pooled reserves:

- renewal of water and sewer utilities;
- periodic upgrades to the PGA golf course.

In view of the urgency of the situation, the revamping of water utilities is discussed in more details in Annex 4.

The recently renovated PGA golf course is the jewel in the crown, and obviously a key attraction for many active seniors who have bought into Hollybrook in recent years. The risk is that we become victim of our success. Limitations to playing the course due to saturation in the winter season, combined with preferred allocation of tee off times for classes of golfers could become a disincentive for avid golfers to remain in Hollybrook, or move here. As it was described in the previous section, this issue does not lend itself to an easy solution in view of the significant uptake in golfing at Hollybrook in recent years. The maintenance of the PGA golf course represents a significant commitment of financial and

human resources by unit owners. The success of Hollybrook as a superior value proposition for residents relative to the PGA golf course will hinge to a large extent on the ability of the Association to provide fair and equitable play time, competitive cost, and effective maintenance. For some residents, integral to the value equation is the option to play 9 holes, with fair and equitable access to the course. In essence, this committee strongly believes that maintaining the overall value proposition for all golfers is integral to the sustainability of Hollybrook, and a key priority for the Association.

Approximately 180 units in Hollybrook have to pay a monthly fee for accessing the common recreation areas. This is the so called *rec. lease*, a historical anomaly associated with the developer having retained some of the original parcels of the common areas. Units who do not have a *paid rec. lease* have to pay a *rental fee* to the residual owners of the unattached parcels of the common areas. The State of Florida has since enacted legislation making such arrangements illegal, but the changes were not made retroactive, so Hollybrook is still operating under the original arrangement. Efforts have been made in the past by the Association to repatriate those unattached parcels, and through various financial arrangements with affected unit owners phase-out over time *rec. lease rental fees*; absent the cooperation of the residual owner(s), those efforts have not borne fruit. This situation needs to be resolved, hopefully through a negotiated approach, and if necessary through legislative action by the State of Florida.

Another anomaly with the Hollybrook condominium is the arrangement whereby the ownership of the PGA golf course returns to the developer after 99 years. Since there is more than 50 years left in the lease, the committee felt it was perhaps too early to tackle this issue, but the Association needs to be mindful of the fact that there will come a point in the future, - perhaps in ten or fifteen years -, where potential buyers will see long-term golf ownership as an issue that may have a negative effect on the value of their investment.

Hollybrook offers many amenities beyond golfing and tennis playing, - including superb landscaped grounds -, but the site suffers from some limitations as well. From feedback the committee received from residents, one can point to a few sore points:

- the grounds are not as user friendly as they could be for cyclists and walkers, within our fence, and outside;
- rules preventing shaded storage for cars during summer months are seen by many seasonal residents as unreasonable;
- the food experience in the Hollybrook restaurant has not been altogether positive in recent years;
- rules are not always enforced in a uniform manner;
- the fitness centre is seen as inadequate by fitness enthusiasts;
- tennis activities need to be more actively coordinated;
- movie equipment is antiquated;
- there is a paucity of recreational options for visiting toddlers and kids.

All of these examples may be anecdotal, but they point to the need for the condominium to be pro-active in responding to evolving expectations by the current generation of active seniors who will want fitness programs, varied and quality entertainment, environmentally friendly practices, and accommodations for seasonal residents who are now more than 50% of the population in Hollybrook.

Hollybrook's location is not ideal, but it offers significant advantages. For those who want to be next to the ocean, we are admittedly a fair distance away. For those who want immediate access to « big city » amenities, Pembroke Pines is not Miami or Fort Lauderdale. For those who prefer living in a fashionable neighbourhood, we clearly are not Palm Beach or Boca Raton. However, we are « close to » most sites in Southern Florida. Within a 30 minutes radius, one can be gliding in the Everglades, walking along the beach in Hollywood, watching the crowd in South Miami, strolling Las Olas in Fort Lauderdale, picking up a visitor in Miami or Fort Lauderdale airports, even board a ship for a cruise out of Port Everglades! Not to mention hospitals, great shopping and restaurants nearby. Location is a subjective thing, and Hollybrook needs to do a much better job marketing its location.

The committee heard from Hollybrook's CEO about plans to modernize management systems in the areas of project planning and tracking, staffing, preventative maintenance, procurement, contracted maintenance services, safety, goal setting and performance evaluation, and communications. Although Hollybrook is a « self-managed » condominium, relying on volunteers working hand in hand with paid staff to get things done, management systems need to be modern, efficient, and effective. In this way residents and prospective investors will have the necessary confidence that the condominium is managed in a cost-effective manner, devoting scarce resources where they are most needed, and minimizing waste and unproductive activities.

Volunteers play a vital role in the fabric of the Hollybrook community. Many clerical activities have traditionally been discharged by groups of residents participating in a « social » volunteering event. With the modernization of Hollybrook's management systems, there may be less need in the future for large number of volunteers collecting enrolment forms from residents for shared services (e.g. signing Total contracts), stuffing envelopes with ballot papers, taking BBQ reservations, or selling tickets for events. Many of those activities may be transitioned to on line enrolment, or a BBQ reservation system using a dedicated web portal, or via automated tellers to refill the restaurant card. Conversely, a number of vocational activities rely on volunteers, and if anything, there will be an increasing role for volunteers in expanding the portfolio of social, recreation, sport, fitness, library, and art programs if Hollybrook is to attract a new generation of active seniors. Volunteerism is about community spirit, but it is also about organization, and Hollybrook needs to do a better job to identify people with the required skills to take on this or that role on behalf of the community, enrolling and training people, and ensuring there is continuity in succession planning. In addition, with an increased number of seasonal residents, volunteers will often need to be « doubled up » to provide year round coverage of the targeted activities.

Over the next 10 years, the great cohort of the baby boomers will look for a warm place to live and play over the winter months, or retire full time in Florida. « Boomers » who retire bring with them their active lifestyle, « youthful » attitude towards sports and outdoor

activities, fitness and gourmet tastes...and money. The good news is that Hollybrook has the potential to be a prime destination for « boomers » looking at Southern Florida as a retirement destination. With the right incentives, Hollybrook could thrive over the next 5-10 years as new investments are made by those retirees who will not only invest in Hollybrook, but also renovate their units, and become active members of the community.

VISION, MISSION STATEMENT

VISION: Hollybrook Golf and Tennis Club Condominium is a residential community for adults over 55 years who wish to pursue an active lifestyle in a stimulating and safe environment.

MISSION STATEMENT: Hollybrook, an efficiently managed, self administered condominium, delivers high living standards at reasonable cost, with superior common facilities and value added services, resulting in an harmonious community, and conducive to a fulfilling lifestyle for full time and seasonal residents.

The following necessary elements support the Vision and Mission Statement:

- An active lifestyle in Hollybrook is reflected by a primary focus on golf and tennis but also includes outdoor recreational activities such as swimming, bicycling and walking, entertainment (shows, plays, movies), fitness programs and facilities, a library, and a wide and diversified portfolio of social interface opportunities like games and clubs, in addition to organized educational, artistic and vocational activities.
- Hollybrook is a fence enclosed gated facility with 24 hour security grounds access, security protocols, and facility patrol, thereby ensuring the safety and security of residents.
- All owners and residents are vetted for eligibility and compatibility prior to being given permission to join the community, as per the criteria established in the condominium statutes and Hollybrook's governing documents.
- Budget and expenses are carefully documented and screened prior to execution and align with strategic priorities set by the Board of Administration.
- Accounting procedures follow established professional standards.
- Reserves are sufficient to address necessary capital expenditures, and we are rated by authorities as financially sound.

- In addition to the signature PGA rated golf course, par 3 golf course, and tennis courts, Hollybrook maintains a state of the art fitness centre, technologically up to date social hall, well maintained recreational facilities (pools, BBQ stations, recreation centre, etc...), a restaurant, and « park like » grounds. The administrative office is open year round and adequately staffed by a combination of paid staff and volunteers.
- Condominium documents define roles and responsibilities for Officers and Directors, and provide authority to act in clear and unambiguous language. All decisions are properly vetted by the legal department, assisted by the attorney of record as required, to ensure that we conform to federal and State statutes, municipal by-laws and regulations, as well as internal rules and regulations. Standing committees assist the Board of Administration in matters of audit, insurance, compensation and rules.
- Hollybrook uses state of the art communication systems to ensure that all residents are fully informed about condominium matters .

PLANNING PRINCIPLES

Hollybrook is a 55+ condominium, which defines our community.

- By law, families with children should not reside in Hollybrook, nor children under 18 be permanent « guests » in units otherwise occupied by older adults; yet, a number of families with children do indeed reside in Hollybrook, and numerous units have live in « guests » who do not meet the 55+ criteria;
- The 15% rule which allows occupancy of units by people that do not meet the 55+ criteria (often as a consequence of inheritance) is not enforced systematically, especially in the case of units rented for part of the year, and often occupied by younger residents during the off-season;
- Although the Declaration of Condominium states that visitors are allowed in Hollybrook, there is no qualification in the Declaration itself as to the length of stay, leading to abuse and *de facto* permanent residency;
- The committee is concerned with ongoing residency that is in contravention of Hollybrook rules and Declaration of Condominium, especially as it relates to children under the age of 18, who are not allowed by our rules to live in Hollybrook on a permanent basis; we are concerned as well with the haphazard enforcement of the rules regarding live-in guests, long term visitors, and part-time occupancy by unit owners who do not meet the 55+ criteria;
- Legitimate use of existing facilities by short-term visitors is not an issue as long as rules are followed, which is a responsibility of unit owners who entertain extended family members or guests for limited periods of time. In that respect, immediate family members should be allowed to stay in the unit for a short time, - possibly 2 weeks -, without the need for the unit owner to be present, with a small fee being collected by Hollybrook to process their visitor status. (The committee does not propose to offer special or dedicated amenities for guests of any age, including children, but leaves it to the (proposed) Director of Recreational Programs to consult with the community on new facilities for quests and residents).

We maintain quality installations, with a primary focus on golf and tennis, pool and BBQ areas, and the restaurant, as well as for significant assets such as the Playhouse, the Clubhouse, the Recreation Centre, and the Administration Building

- Hollybrook's declaration of condominium defines the common assets that the Association has a responsibility to maintain to a certain standard, e.g. the golf course needs to maintain a PGA rating.
- Over time, the community has made significant investments in additional assets that need to be preserved and maintained as well. These assets are a common property, and shared responsibility for all unit owners.
- In making significant investments in new assets, or in upgrading existing assets, the community needs to be well informed about the annual maintenance and recurring capital renewal costs, in order to evaluate the impact of the project on the overall operational budget.

The condominium provides a range of services and recreational amenities reflecting evolving expectations and needs of residents

- Times change, and our community needs to adapt if we are not to be left behind by newer residential projects. Wireless connectivity is an example of service enhancement driven by technology; similarly as new residents move into our community, they will have expectations that may call for improved amenities, e.g. bicycle storage. As the demographics change, some prohibitions may need to be relaxed, e.g. allowing the covering of cars with tarpaulins for seasonal residents, or offering covered parking; as municipal, state or federal regulations evolve, we may need to adjust accordingly, e.g. install bins for compostables or reduce water usage; as driving habits change, we may have to provide electrical outlets to recharge car batteries.
- At the same time, we must be prudent and deliberate in not chasing after the latest fad or trend, and always conduct due diligence in selecting and costing

enhancements, including ongoing maintenance costs. Hollybrook does not need to be an « early adopter » in deploying new technologies, or offering enhanced services, but rather embrace technological solutions and services that have become mainstream in society.

We ensure Hollybrook remains an attractive and safe place to live and play

- One of the defining characteristic of Hollybrook is the beauty of the compound: we live in a park, and we want to keep it beautiful. Landscaping and overall appearance is a key determinant of the attractiveness of the condominium, and it is a critical responsibility of the Association to maintain that standard by investing in the beautification of the place.
- But also key to attractiveness are intangibles: individuals' pride in the community that will prevent littering, picking up « droppings » from pets, addressing obnoxious behaviours, upgrading one's unit, and investing in the community by volunteering.
- The sense of community is about respect for neighbours, pride in the community, commitment to keep it beautiful, and selflessness in partaking in the common good of the community. Rules and procedures should be a last resort. Dialogue and thoughtfulness will go a long way to achieve a positive experience for residents, and a vibrant community.
- Hollybrook is a gated community, which means controlled entry and exit for residents, guests and service providers. The right balance needs to be strived at to achieve the objective of preventing undesirable entries, while not impeding legitimate access. This is a function of deploying appropriate access control technology, streamlined access control procedures by agents at the gate, training, and emergency response capability whenever an unauthorized person is on site.
- Security within the compound is also important. Patrols are a visible aspect of maintaining security, but technology can also contribute as well, such as CCTV. As part of the strategic plan for Hollybrook, an independent security audit should be conducted to guide further safety enhancements and streamlining of operating procedures.

Hollybrook provides a superior value proposition for resident unit owners, existing and potential by delivering quality of life, capital preservation, affordability, financial stability, cost-effective maintenance and administration, equitable treatment and robust governance

- Providing a superior value proposition is the defining criteria that will assure the sustainability of the Hollybrook Golf and Tennis Condominium in the long term.
- Quality of life is understood in this context as the confidence in the capability of the condominium to anticipate and/or respond effectively and expeditiously to situations that may arise from time to time that will have a negative impact on residents, such as water and sewer issues, leaking roofs, emergency response, defective elevators, adequate lighting, cleanliness, litter, garbage disposal, landscaping, noise, etc...
- Capital preservation is a function of having in place a robust preventative maintenance plan and appropriate reserves for capital renewal.
- Affordability is a subjective matter, to be derived from circumstances that are unique to each unit owner. It is a function of adding the total cost for owning a unit, namely the cost of the unit itself including mortgage payments if applicable, property taxes, insurance, maintenance fees, etc...Maintenance fees constitute only a portion of the total cost. A straightforward approach to track Hollybrook's maintenance fees is to benchmark against comparable properties in Southern Florida, taking into account shared services, reserves, amenities, etc...Another approach is to track year by year increases versus the cost of living index in Southern Florida. This committee did not find that affordability was a vexing issue at this time for most residents in Hollybrook, except perhaps for some long-term residents on fixed pensions that have seen their income eroded by inflation. This being said, affordability is a key aspect of the value proposition for Hollybrook unit owners, and it needs to be a top of mind consideration in managing the condominium affairs. **Therefore the committee elevates affordability to a strategic objective for the Association.**
- Financial stability is about the long term capacity to deliver services and preserving capital through cash flow versus debt financing. Significant capital expenditures, - for a new facility for instance, or of an unforeseen nature -, can be financed through debt

if the debt is extinguished over a fixed period through cash flow contributions.

- Equitable treatment is about all Hollybrook residents having equitable access to the same facilities and services, at the same cost, without undue restrictions. For instance, as was discussed previously, priority access to tee off times in the morning for certain classes of golfers may create equity issues that need to be addressed. The lack of control over allocation of tennis courts as a result of the tennis « pro » not having been replaced may similarly create equity issues that should be addressed.
- A related topic to equitable treatment is user fees. Florida condominium law does not permit user fees unless specifically authorized in the Declaration of Condominium. Hollybrook's documents specify which activities the Association can charge for, namely the golf cart user fee (mandatory for playing on the PGA golf course), and food services. Some residents have suggested extending user fees beyond those currently authorized in the Declaration of Condominium. Conversely, some residents feel that no user fees should be collected for playing on the PGA golf course. The committee examined the user fees situation, and concluded that the value proposition for the Association of adding additional user fees in the Declaration of Condominium was marginal at best, and a significant aggravation factor for residents. Conversely, the committee does not recommend eliminating the golf cart user fee.
- Finally, robust governance is about confidence by unit owners in the operational efficacy by management, rule of law, executive oversight and financial control by a duly elected Board of Administration. The committee discussed ways and means to improve on the governance of the Hollybrook condominium , and makes a number of recommendations to that effect.

We acknowledge the need to maintain « intergenerational equity » between long term residents and newcomers in the provision of services and fees

- The concept of intergenerational equity in the context of sustaining our condominium long term is about ensuring that today's actions do not unduly curtail the ability to keep a steady path in the future. In the case of Hollybrook it has two

conflicting connotations. First, the short-term interest of long-term residents is to coast on their long-term investment in the community and to leave future costs to be addressed by recently arrived or future unit owners. Conversely, the long-term interest of newly arrived residents is to spread future expenses to the broadest extent possible by asking long-term residents to invest now for the future. This dichotomy impinges directly on whether to maintain the status quo by waiving the statutory requirement for maintaining « fully funded » reserves, or investing now to prepare for future expenses. Hollybrook unit owners have systematically waived fully funded reserves year over year to keep condominium fees at a relatively low level. Capital expenditures have been funded from « cash flow », operational reserves, special assessments or through bank loans. Intergenerational equity is about finding a funding formula that reconciles both perspectives, keeping in mind that no single group's self interests should trump the general interest of the community.

- A secondary aspect of the intergenerational equity issue is about relative affordability. Some residents who retired a long time ago on fixed pensions have suffered a serious erosion of their financial capability through inflation and capital depletion. For some residents, any increase in the cost of living in Hollybrook is a financial burden, in the worst cases making it unaffordable to maintain residency. Individual hardship cases do not constitute as such a compelling reason to forego necessary expenditures on behalf of the community, but the principle of affordability calls for a thoughtful, compassionate and measured approach to find reasonable ways to minimize the impact on residents of increases in maintenance fees to address capital renewal and maintain the standards of the condominium.

we strive to adopt environmentally sustainable (or preferred) practices whenever practical and economical

- Hollybrook residents will increasingly reflect an increased societal awareness and sensitivity to environmental and health considerations, including adoption of renewable energy, reducing water usage, noise, pollution, chemical use, waste, and demanding environmentally sound practices like composting, healthy food offerings

in the restaurant, etc.

- Hollybrook will be well served in positioning itself as an « environmentally aware » community of residents, offering cost-effective « green » solutions to the environmental challenges of the time.
- This committee has not had the time to fully develop the possible avenues for Hollybrook to reduce its environmental footprint, but the following opportunities should be further investigated: optimizing watering of the golf course; replacing the fleet of security cars with hybrid vehicles; providing electrical charging outlets for residents driving electrical cars (metering for usage); installing solar water heaters in the administration building and the Club House; replacing regular toilets with low water use models; switching to LED lighting solutions, etc.
- A number of government programs provide financial incentives for adopting environmentally preferred solutions. Hollybrook should be well informed about such programs in developing a « green strategy ».

STRATEGIC OBJECTIVES

Strategic Objective #1: Hollybrook is considered by people wanting to move to Southern Florida either on a seasonal or permanent basis as a premier location offering a superior value proposition for making an investment.

- Measurements: \$ resale value of average unit is steadily going up; maintenance fees are kept within « reasonable » parameters, and compare favourably to similar properties; Hollybrook benefits from a very low ratio (by industry standard) of empty, derelict or abandoned units; Hollybrook's debt is steadily decreasing and planned capital expenditures are funded through accumulated reserves.

Strategic Objective #2: Hollybrook is seen by unit owners as having made significant progress in implementing systems, procedures and programs to enhance the overall experience of condominium living for permanent and seasonal residents.

- Measurements: overall level of satisfaction at top quartile for 90% of residents, and at top decile for 75% of residents; steadily decreasing ratio of units leased year round; # of lessees who become unit owners; active participation of a majority of residents in community activities, including volunteering; 75% of residents regularly access the Hollybrook website for condominium information.

Strategic Objective #3: Implement financial requirements (operations and reserves) in a manner which is affordable to the unit owners of Hollybrook.

- Measurements: operations budget should generally track with cost of living index (with due regards to uncontrollable fixed costs like utilities and insurance premiums); reserves should be in place within 5-6 years towards maintaining 70% cash requirements to address the 10 year capital renewal plan.

OPERATIONS: RECOMMENDATIONS

- O-1 By year-end 2016, the CEO will have implemented a revamped management system encompassing preventative maintenance; personnel goal setting and evaluation; training; strategic communications with the implementation of web-based tools complementing more traditional techniques; streamlined procurement; project management; contracted maintenance services; etc...
- O-2 By year-end 2015, the CFO will have completed the transition of Hollybrook's financial management system to digital database and modernized accounting and reporting systems.
- O-3 By mid-year 2016, Hollybrook will have conducted an external audit of safety procedures and practices; by year-end 2016 a plan to address identified gaps in safety procedures and practices will be in place.
- O-4 By January 2016, Hollybrook will have on staff a Director of Recreational Programs with the mandate to build on, and expand the portfolio of social programs and recreational activities in Hollybrook, as well as facilitating volunteer programs. The Director, in full consultation with the community and the restaurant/catering Event Planner, should develop for Board consideration a list of opportunities to enhance the recreational programs and facilities, including dedicated recreation space for young children visiting relatives in Hollybrook, cyclists, walkers, clubs, vocational programs, specials events, etc...bringing all elements of the community together.
- O-5 By year-end 2015, measures to ensure equitable access to the PGA golf course for all residents of Hollybrook will be in place (see annex for detailed strategy); opportunities for establishing sharing agreements with other golf courses to alleviate saturation will have been identified.
- O-6 By year-end 2015, the restaurateur will have demonstrated the capacity to support catering requirements of an expanded activity calendar.
- O-7 By the beginning of the winter season 2015-2016, Hollybrook will have on staff a part-time tennis coordinator/pro to facilitate and stimulate tennis programs and activities.

RESERVES: RECOMMENDATIONS

- R-1 By the 1st Quarter 2016, the Board of Administration to adopt a multi-year capital renewal plan. The plan should contain the following elements:
- anticipated major capital projects over a 10-year period, with estimated replacement/renewal cost and year of expenditure;
 - projections of accumulated pooled reserves from year 1 to 10;
 - budget schedule for projected annual replenishing of the pooled reserves fund to achieve within 5-6 years 70% of major capital expenditure requirements over the 10 year planning period;
 - \$ contribution to reserve fund for the 2016-2017 budget year.
- R-3 By 2022-2023 budget year all planned major capital renewal projects will be funded from the pooled reserves fund, thereby assuring prospective buyers of the ability of the condominium to sustainably maintain common elements to the required standard.
- R-4 By budget year 2016-2017, a five year major capital replacement project will be in place for completing the lining of water mains in all Hollybrook buildings.

BUDGETING: RECOMMENDATIONS

- B-1 By the next budget planning process for the year 2016-2017, the budget shall integrate proposed expenditures for operations, including non-recurring routine capital projects, significant new capital expenditures and reserves reflecting the 10 year plan approved by the Board. The Board will need to ensure that year-to-year increases to maintenance fees are maintained at a level that does not create undue cost pressure on unit owners. Special assessments should be reserved for major « one off » capital projects that cannot be funded from reserves, or for emergencies.
- B-2 Starting in 2016 budget year, Hollybrook annual budgets should allocate 80% of revenues to operations, and 20% to reserves (see annex for details on budgeting formula)

GOVERNANCE: RECOMMENDATIONS

G-1 By the end of 2016, Hollybrook should have in place a plan to address gaps in the enforcement of rules and regulations as they relate to the 55+ residency rules. The plan should specifically target the following situations:

- units with children under 18 in residence;
- « off season residency » by unit owners under the age of 55;
- « visitors » under the age of 55 who are full-time or quasi full-time residents;
- year-round lessees under the age of 55;
- impact of « legacy » ownership by heirs in the broader context of maintaining the 55+ ratio;
- allowing very short-term occupancy of units by immediate family members (in the absence of the unit owner).

G-2 By year-end 2015, a standing Rules committee (mandate in annex) should be established to review on an ongoing basis, and when appropriate recommend discrete rule changes.

G-3 By year-end 2015, the Executive Committee should develop, with guidance by Legal Counsel, for consideration in 2016 by the Board of Administration and unit owners, a comprehensive action plan to modernize Hollybrook documents (Declaration of Condominium; Articles of Incorporation; by-laws), such plan to address, among others, the following aspects:

- process for the election of members of the Board of Directors and Officers (as defined in the Declaration of Condominium and the by-laws);
- size of the Board of Administration and number of directors (as specified in the by-laws);
- roles and responsibilities of Board of Directors and Officers in managing the day-to-day affairs of the Association (as per the Articles of Incorporation);
- provide authority for four standing committees reporting to the Board of Administration, namely Rules, Insurance, Audit and Compensation (see mandates in annex 5);

- revisit the various amending formulas and simplify procedures for ratification votes by unit owners by providing for electronic notification and balloting;
- limiting the rights of unit owners to host visitors for defined periods of time (e.g. twice a year for a maximum of 60 days);
- clarifying the grounds and considerations for the Association to deny transfer of property by a unit owner, or a lease with a prospective tenant;
- align language and procedures with those in relevant Florida statutes;
- process and timelines to gain Board approval, and unit owner ratification.

G-4 By the third quarter of 2016 (in time for conducting the next election for Board members and Officers in 2017), the Board of Administration will submit to unit owners for their ratification amendments to the Hollybrook documents clarifying the procedure for selecting Officers of the Association.

VARIA: RECOMMENDATIONS

- V-1 An Environmental Committee should be commissioned to further investigate and characterize opportunities for Hollybrook to reduce its environmental footprint, and develop a set of recommendations for management and the Board of Administration to position Hollybrook favourably as an environmentally aware community, such committee to report back by mid-year 2016, in support of the formulation of plans to implement a green strategy for Hollybrook.
- V-2 Hollybrook needs to make it a priority to repatriate under Association control the 18C recreation leases currently owned by external investors, with the ultimate objective to empower affected unit owners to pay off the rec. lease over time. The strategy should be based on the Association negotiating with external investors to buy back the rec. leases, with a clear understanding that failing to reach an agreement with the Association would result in Hollybrook seeking legislative redress to bring the condominium into line with the statutory changes introduced by the State of Florida in the early 1980's.
- V-3 By January 2016, Hollybrook should develop a pro-active approach to identify residents with an interest in committing to volunteer work in the community, and assign them a « mentor » to help them take on volunteering roles reflecting their interests and their skills. Responsibility for coordinating the volunteers' program should reside with the proposed Director of Recreational Programs.
- V-4 By year end 2015, Hollybrook should commission a professional real estate market analysis to position Hollybrook as a preferred condominium in South Florida for active seniors (55+) moving to the State. By the end of 2016, Hollybrook should implement a marketing program, - possibly in partnership with a real estate firm -, which delivers a positive perception for prospective buyers.
- V-5 A communication strategy needs to be developed as soon as practical to help the Hollybrook community understand and embrace the need for changes, and the overall benefits for unit owners of achieving the strategic objectives underlying the vision for Hollybrook.

CONCLUSION

The committee heard from many residents about their experience as unit owners in Hollybrook, just as we brought our own to our deliberations. Our condominium is thriving, despite some hiccups which are normal in a relatively large complex. The grounds have never been so beautifully manicured, our signature golf course has been renovated, our finances are in good shape. Our community is alive and well, with many long-term residents sharing common amenities with a steady flow of newer arrivals who are investing for the future by renovating their units and bringing a renewed sense of energy to the place. After more than 40 years since we have become a self-managed condominium, we find ourselves in the midst of an intergenerational transfer affecting the way we communicate, the way we entertain ourselves, the way we interact with each other, and redefining volunteerism to reflect an increased percentage of seasonal residency, and changes in attitudes and expectations. The committee did not find any reason to redefine who and what we are: a 55+ community of active seniors who look for an affordable place to live and play, - and do so within a safe environment -, but we did identify some areas that need to be addressed to maintain the attractiveness of Hollybrook for existing residents and new investors. We heard from the CEO about plans to modernize the management of our condominium, something that is necessary and that we applaud. We took note of the conclusions of a reserve study conducted earlier in 2015 which identified financial requirements to strengthen the capacity to maintain and renew common elements. We took a long and hard look at our Documents, Rules and operating procedures, and made many suggestions to modernize and update how we govern ourselves. We also examined ways and means to ensure fair and equitable access to our shared amenities. More specifically we have offered for consideration by the Board and unit owners various options to help alleviate the congestion of our PGA golf course in the winter time. We heard from a real estate company about their proposal to joint venture with the Association in marketing Hollybrook more aggressively. And more importantly we heard from residents about their expectations to optimize their enjoyment of Hollybrook.

As we deliver our recommendations to the Board, and share our report with the community, it is our hope that a lucid and thoughtful debate will ensue with the objective, - which

should be a shared one for all members of the Association -, to celebrate the achievements of the past 40 years while paving the way for the inevitable changes to modernize Hollybrook for the benefits of all residents, present and future.

annex 1 - MEMBERS OF THE STRATEGIC PLANNING COMMITTEE

Margaret (Peggy) Belcher

Roberta Cohen

Paul Kenvil

Claude A Lachance, *chair*

Otto Ladanyi

David Rockman

Dawn White

Joe Donnelly, *ex officio*

Fred Francis, *ex officio*

Paul Ray, *ex officio*

The committee also acknowledges the participation of Donna Cooperman, Carl Mack and Rosalie Labate to its deliberations.

annex 2 - UNIT OWNER INPUT SUMMARIZED

A workshop was held on March 25, 2015 to gather unit owner input for the SPC. It was decided at that workshop to also send out an email requesting further input from owners. Below is a summary of information gathered from more than 90 unit owners.

GOLF Many responses received included input on the golf situation.

- need to reduce # of rounds per player, or per condo;
- encourage use of par 3 course for older golfers;
- 4 mornings out of 7 reserved for leagues, way too many, needs to be reduced to 1 morning per league;
- need to have confirmed tee times 5 days prior so alternate plans can be made if bumped;
- league members should not have priority over non-league members, all pay same condo fees;
- owners should have advantage over renters;
- pro shop should try to get a deal at other local courses for 'bumped' players;
- educate golfers on rules of carting, golf etiquette .

INFRASTRUCTURE

- water pipe situation mentioned in many emails;
- building #s not visible enough;
- cars leaking oil need to be given a warning and made to fix;
- need a review of the state of our buildings;
- need to change Gate 1 guardhouse, not a good first impression.

RESTAURANT

- open more evenings with theme: Italian, steak, wings;
- upgrade quality of food and surroundings;
- look at need for 7 days a week opening;
- reinstate patio grill at lunchtime for golfers making the turn after 9 holes;
- need to have a cart person on the golf course;
- give owners option to have 2 restaurant cards, each having ½ of the restaurant fee on it.

TENNIS

- need to put fence between side by side courts, as in court 1 & 2;
- need to have 2 more soft courts same material as courts 1 & 2 (not like 7&8).

COMMUNICATION

- VoH needs to be changed up a bit and put on-line (note: VoH is already on line);
- need WIFI throughout the complex;
- need an up to date web site;
- need to put blue book online.

RESERVES

- need to increase;
- look at financing options for those who need help with reserve financing;

FINANCING

- need to stop borrowing and use maintenance to fund projects so that everyone shares in cost;
- look at collecting a fee when condo sold and put it into the reserve fund;
- why same condo fees for 1 and 2 bdrm units;
- need to create more revenue streams.

VOLUNTEERS

- need better training;
- need to incorporate younger volunteers;
- need to implement a volunteer application form requesting individual's skills.

RECREATIONAL FACILITIES

- many comments about the gym; need more cardio equipment, gym equipment out of date, not working, not clean;
- make movies weekly in winter season;
- get new movie screen;
- more social activities; dances, game evenings;
- more classes – eg men's exercise, current affairs, computer course, photography, guest speakers;
- locker rooms need updating; back of ladies locker room under-utilized;
- need more bike storage;

- need biking/walking designated area (similar to dog walk areas);
- bus on Sunday;
- option for massage therapy and hair salon on site;
- sauna timing issue;
- need to have a 'workshop' available for owners to do odd jobs;
- investigate possibility of removing 1 shuffleboard court per phase to increase BBQ area seating.

RULES

- over 55 issue;
- need to enforce children not allowed;
- inheritance by less than 55 year old person situation;
- investigate changing renter rule-2 bdrm only 3 golfers, 1 bdrm only 2 golfers;
- remove rule re can't rent until 9 mths after purchase;
- pool lounge chairs being 'reserved' with towels, no one around, happening more often;
- speeding not being enforced (visitors an issue);
- ongoing updating of rules;
- need to allow pickup trucks to remain in HB 24/7;
- need an area allocated to be able to park recreational vehicles, motorcycles, boats;
- need storage area for vehicles during summer months;
- enforce all rules, even for 'friends';
- better education of new owners on rules – implement new owner orientation mandatory;
- need to allow owners to have family stay in condo in summer months without owner present.

REC LEASE

- need to revisit getting them done away with.

COMMITTEES

- need to report to Directors.

STAFF

- not supervised enough and no initiative.

OUTREACH

- look at sponsoring youth Tennis tournament, provide golf lessons for underprivileged kids.

ENVIRONMENTAL

- need to be more aware of noise issues with landscaping;
- need to look at solar possibilities;
- need to address electric car charging facilities.

annex 3 - EXECUTIVE SUMMARY OF RESERVE STUDY (2015)

This summary identifies the major characteristics of the project.

Association Name: Hollybrook Golf & Tennis Club Common

Location Pembroke Pines,FL

of Lots 1,902

30-Year Projection Period January 1, 2015 - December 31, 2045

Site Visit Date January 27, 2015

Report Effective Date January 1, 2015

Projected Reserve Fund Balance at January 1, 2015 \$ 487,080

Ideal Reserve Balance at January 1, 2015 \$ 1,180,677

Percent Funded at January 1, 2015 41.25 %

Recommended Annual Contribution to Reserves Year 1 \$ 701,250

Estimated Interest Rate 0.90 %

Estimated Inflation Rate 2.00 %

Estimated Tax Rate 0.00 %

The Association is a 1,902- lot planned development.

The status of the Association's Reserve Fund is evaluated primarily by attempting to measure its strength.

While there are subjective considerations that can be applied, the percent funded calculation represents the most universally accepted objective measure of the strength of the reserve fund. The discussion in the paragraph above evaluates the strength of the Association's reserve fund. This financial projection was prepared for the Association by Preparer and is based upon certain assumptions regarding condition, replacement costs, and estimated useful lives of the components contained in this study. Estimated replacement costs are based upon bids received, prior costs paid, construction costs manuals and other sources. This study is limited to those components contained herein. Certain components have been omitted as they have useful lives in excess of the scope of this study (30 years), or major repair and replacement costs are included in the operating budget. Funding has been calculated using a pooled, cash flow calculation. Assumptions for interest earnings on invested funds, the

inflation rates estimated for future replacement costs, and the applicable net income tax rate are shown above.

The Board of Directors has determined that, based upon the reserve study, no special assessments are presently anticipated for any year covered by this study. However, actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. The Board regularly updates assumptions and estimates used in the reserve study in order to have accurate financial projections of future cash needs.

That portion of the annual budget related to reserves generally consists simply of the assessment.

Because of the multi-year approach of the reserve budget, the reserve study itself is the budget tool used to determine the assessment amount. The current year reserve assessment amount is simply extracted from the 30-year reserve funding plan and inserted into the annual budget. The reserve study funding plan is an integral part of the annual budget process and overall financial plan for the Association.

The property described in this report is a common interest development. As such, it contains common areas and facilities that are owned "in common" by the members. As the elected governing body of the association, the Board of Directors is responsible for maintenance of the common areas and the sound financial management and operation of the Association.

One of the primary duties of the Board of Directors is the preparation and/or review of the annual budget. The annual budget process must, at a minimum, address two areas; Operating Funds and Reserve Funds. The net result is a determination of the annual assessment to be charged to members, which will consist of an operating assessment and a reserve assessment.

The operating budget is intended to provide for all annually recurring expenses of the Association, including routine maintenance of common areas. Such routine maintenance is the basis of the facilities maintenance plan, and to a large degree, will dictate the timing and amount of future expenditures of the reserve fund. The normal budget process is to estimate the required expenditures for the Association's governance, business, member services, and maintenance activities, then determine the assessment required to provide for

those costs. By its nature, this is geared to an annual cycle.

Reserve funds are a part of the monthly or annual assessments paid by owners of an individual unit or lot. These funds are intended to be set aside specifically for major repairs and replacements and not be used for any other purpose. These funds are accumulated by the Association, earn interest, and should be expended as approved by management only for major repairs and replacements of the common area components.

This Reserve Study assists the Board of Directors by providing the information to determine the appropriate amount of money to assess owners. Specifically, the reserve study report provides a 30-year funding plan to assure an equitable assessment structure to provide for the non-annual major repairs and replacements of common area components. The report is a financial projection that is based upon an evaluation and visit of the common area components.

Because the reserve study is a projection of future events, it necessarily is based upon a number of assumptions. The reserve study process is an exercise in refining those assumptions to those most likely to occur. Future events occurring near term are inherently more predictable than those occurring long term. That is why it is necessary to perform periodic updates to the reserve study; to update and refine the assumptions based on the passage of time and actual maintenance activities that have occurred.

The reserve study consists of two parts; the physical analysis, and the financial analysis. The findings of the physical evaluation, including identification of components, condition, useful and remaining life, and replacement cost, are summarized in this report. The financial analysis consists of the evaluation of the current reserve funding status, and a 30-year projection of cash inflows and outflows.

annex 4 - PROPOSED APPROACH TO BUDGETING FOR OPERATIONS AND RESERVES

The 2015 Hollybrook Reserve Study proposes an integrated budget process for funding annual operations and capital reserves, assessing unit owners accordingly. The level of annual funding for pooled reserves would be informed by the requirements set by the capital renewal plan previously discussed and planning assumptions described below. This is a departure from past practices in Hollybrook where the budget process was mainly focused on operations and discrete capital expenditures. This committee proposes to implement this new approach starting with the 2016-2017 budget year (NOTE: the Board of Administration recently changed the financial year from April 01 to March 31). This new approach will provide better control and transparency on the overall cost to unit owners for sustainably maintaining Hollybrook.

In the current budget format, capital projects are either captured under the so-called schedule « O », or as a recurring line item in the various schedules. There is no characterization in the budget between capital renewal, capital maintenance, capital replacement, or new capital. There is no provision for « pooled reserves» either « adequate » or « less than adequate ». Whatever « reserves » we budget for are captured in the operational budget; such reserves are either tied to specific non annual recurring expenditures (e.g. roofing, painting, plumbing, awning replacement, toilet renovations, etc.), or untied as « contingency » reserves, usually a relatively small amount to reflect the contingency aspect proper. Unit owners are called upon year after year to waive the statutory requirements to maintain « fully funded » reserves. The reserve study conducted earlier in 2015 recommends for Hollybrook to create a dedicated pooled reserve fund to address capital maintenance requirements of our aging infrastructures, a recommendation strongly endorsed by this committee. **Therefore, the committee proposes to create an entirely new budget schedule dedicated to « pooled reserves ». It is from this schedule that significant capital project expenditures would be funded.**

Conversely, and in order to maintain a necessary degree of flexibility in the budgeting

process and capital management program, the committee recommends that « routine, non recurring » capital maintenance or capital replacement activities under a certain financial threshold continue to be funded from the operations budget, either within the relevant activities' schedule proper if of a multi year nature, or within a revamped schedule « O » for discrete one time only expenditures. For instance in the 2015 budget, funds were allocated as line items in the relevant schedules to fix or replace awnings, modernize washrooms, and replace electrical equipment and lighting as necessary. Since such activities are truly of a maintenance nature, albeit non-recurring in many cases, we propose to continue with the practice of operationalizing routine maintenance activities within a revamped capital maintenance program being proposed by the CEO.

We also propose to retain a modest « place holder » budgetary envelope in schedule « O » for funding « community projects », which we define as small, targeted improvements to our amenities submitted by individual unit owners to enhance the quality of life in the community. Such proposals will obviously need to be properly vetted by management for feasibility and cost, prioritized by the budget committee, and submitted for Board approval. The total budgetary envelope for such community projects would be decided on by the Board, on recommendation of the budget committee, after the operational and reserve requirements would have been finalized, and with due regards to the overall impact on maintenance fees in a given year.

Significant capital projects not otherwise funded through activities captured under the operational budget as per the formula described previously would be funded from accumulated pooled reserves. To achieve the target of 70% pooled reserves within a reasonable time frame (5-6 years), we propose as a budgeting guideline to devote 20% of the prior year's budget to be earmarked for funding pooled reserves for the upcoming year. The actual ratio may have to be tweaked periodically if the accumulated reserve funds prove insufficient to address the capital renewal schedule. (NOTE: 20% would raise up to \$2 million a year to replace roofs, paint the buildings, modernize elevators, pave the roads, renovate the Administration Building, Clubhouse, Social Hall and Recreation Centre, as well as renovate the PGA golf course periodically, etc...).

The urgent and specific situation of water pipes coming to the end of their useful life requires a targeted budgetary approach. After evaluating alternative solutions to fix or replace the pipes, the committee recommends for the Board's consideration lining existing water pipes over five years, which would extend their useful life indefinitely. Budgeting options for this very significant one time project could be, as circumstances dictate:

- adding a line item in the operations budget, with a significant increase in the annual operations budget until the renovation is complete; one could concurrently envision reduced funding of pooled reserves (perhaps 15% of total budget) to minimize overall « sticker shock » on unit owners associated with the funding required to complete this project;
- tapping into accumulated pooled reserves from year one, or in any of the subsequent years; if tapping into reserves, it would be critically important not to deplete available reserves to the detriment of other projects on the capital renewal schedule;
- off-budget funding by special assessment for all or part of the project;
- a combination of the above.

It is worth noting that this major infrastructure renewal project was not addressed as such in the 2015 Reserve Study which excludes utilities because of their 30 years+ useful life.

Turning to the operations component of the annual budget (80% of the total annual budget), we propose as a planning guideline to limit increases in the administration, maintenance, security and miscellaneous activities to the Cost of Living index in Southern Florida, plus or minus whatever expected increases or decreases in utilities and insurance rates for the coming budget year. Non-recurring capital expenditures within the operations budget are budgeted at cost. **There is no question in the committee's mind that a number of non-recurring and ad hoc capital improvement initiatives otherwise worthy of consideration will need to be deferred in order to keep maintenance fees at a reasonable and affordable level while we build the reserve fund and fix the water utilities.** Implementing an aggressive capital maintenance program will be critical to extend the useful life of assets.

We believe a revamped budget process would go a long way towards sustaining the financial capacity of the condominium to address capital renewal requirements over time, while maintaining standards and overall affordability. Perhaps as important a consideration is the transparency and certainty it would give unit owners on how their maintenance fees (and in exceptional circumstances, special assessments) are used to sustain the common capital stock of the condominium.

annex 5 - MANDATES OF BOARD LEVEL COMMITTEES

Audit Committee

The functions of the Audit Committee are:

- recommend for Board approval the selection of auditors;
- periodically review the audit protocols followed by the auditors;
- examine the internal controls of the financial administration of Hollybrook;
- receive the audit reports, and interact directly with auditors as required;
- report annually to the Board on the state of financial administration of Hollybrook, such report to include comments on the Audit Report as appropriate.

In discharging its mandate, the Audit Committee shall have the authority to examine and verify all accounts and records of the Hollybrook Golf and Tennis Condominium Association Inc., at its discretion. This includes receipts and disbursements along with contracts and other data required to support expenditures. The Audit Committee shall have the authority to verify accounting books and records of any committee or club that uses a Hollybrook identification number.

The Audit Committee should have a minimum of 7 voting members, including the Chair; the CFO shall be an *ex officio* non-voting member. Members of the Audit Committee, and the Chair are appointed by the President of Hollybrook from among elected members of the Board of Administration, and exceptionally from knowledgeable unit owners, for a renewable period of two (2) years. . The Committee shall report from time to time to the Board of Administration, but at least once a year.

Insurance Committee

The functions of the Insurance Committee is:

- to recommend for Board approval the selection of agent(s) and broker(s);
- to review the insurance programs, coverage and contracts of the Association on a continuing basis;
- to monitor all insurance policies, and evaluate the overall performance of carriers as required;

- to provide advice to the Board of Administration and Management on any insurance related issues it feels need to be addressed.

The Insurance Committee should have a minimum of 7 voting members appointed by the President of Hollybrook from elected members of the Board of Administration, and from knowledgeable unit owners, for a renewable period of two (2) years. Hollybrook's CFO and CEO are *ex officio* non voting members of the Insurance Committee, which reports annually to the Board of Administration.

Compensation Committee

The Compensation Committee acts in an advisory capacity to the Board of Administration on appropriate levels of compensation for senior paid staff of the Corporation, namely the CEO, CFO, Facilities Director, Golf Pro, and Golf Course Superintendant. The Compensation Committee should have a minimum of 7 voting members, appointed by the President of Hollybrook from the non executive members of the Board of Administration. The President acts as Chair. The committee reports annually to the Board of Administration.

Rules Committee

A rules committee should be established with the mandate to review periodically the Rules and their application; it recommends changes for the consideration by the Board of Administration. The Committee shall also have the power to form *ad hoc* working groups to address specific rule changes, such working groups to report back to the main committee. The Rules Committee should have a minimum of 7 voting members appointed by the President of Hollybrook and shall include at least five non executive elected Board members in addition to unit owners. The committee shall report to the Board of Administration as required, but at least once a year.

annex 6 - EQUITABLE GOLF ACCESS ACTION PLAN

RECOMMENDED STRATEGY FOR IMPLEMENTATION FOR THE 2015-2016 SEASON

The following is the recommended strategy for allocating the limited number of tee times available to qualified Hollybrook Golf Course residents in a fair and equitable manner, in accordance with current rules and regulations. This strategy should dovetail with the recommendations from the special Golf Task Force chaired by Director Mike Elliott.

The assumption is that the new reservation system being implemented can accommodate the proposed changes in time for the 2015-2016 season.

It is recommended that the current point system should be continued with the addition of the following allotments:

From October 15 to May 15, a maximum number of points be permitted per condo unit per calendar week (Monday to Sunday) for prime time (8:20 am to 2:00 pm) . Each game played by the golfer will be assigned 1 point to the condo where the player is registered.

THE NUMBER OF POINTS RECOMMENDED PER CONDO PER WEEK IS 8 (EIGHT) points.

For 2 registered players in a condo they can play 4 games each.

For 4 registered players in a condo they can play 2 games each.

For 3 registered players in a condo they can play twice and 2 can play an additional time.

TEE times before 8:20 am and after 2:00 pm would not accumulate “condo” points.

Additional Items for consideration:

There should only be 1 day per week for each of the men’s and ladies tournaments. Couples tournaments should be organized 1 time a month.

Random selection should be enforced on who qualifies to play in the Men’s Winter League.

This will permit new owners to have a chance to secure a spot in the League. Groups not securing positions in a previous year would automatically qualify for a position if the group is intact and they submit an entry.

An education seminar (½ hour) should be mandatory for each registered golfer prior to

being permitted to play on either course. The group seminar can be given by the Pro or other designated qualified golfer. Topics can include golf etiquette, speed of play rules, when to put clubs back in bag, what tee box to hit from, and stop playing hole when you hit double par.

Arrangements to be made with neighbouring golf course(s) for golfers that get shut out or wish to play alternate courses.

The Board of Administration should conduct an extensive consultation with unit owners to determine possible changes in the Declaration of Condominium to limit the number of residents by units who are eligible to play golf. These changes could grandfather existing units, or apply across the board. Limiting the number of eligible golfers to 2 per unit would limit the total number of eligible golfers to around 3800.

annex 7 - COMMUNICATIONS STRATEGY

Hollybrook is a community of retired persons made up of owners and renters, all of whom use and share its many sporting and social facilities. It is also a corporation with a host of professional and trade employees supported by a cast of volunteers. Hollybrook is therefore continuously being challenged to communicate in an accurate and timely way with all these various groups and to do it effectively.

Communication practices in Hollybrook have long been reactive and unorganized using several communication tools; the postal service, message boards, internal TV stations along with information flowing randomly through the internet or by way of independent web sites and social media such as Facebook. The rumour mill is also alive and well.

The strategy is to determine what is working well, what is not, and how to improve on all fronts. In order to achieve this we need to:

- determine objectives that are clear and measurable, i.e., to have meeting notices, minutes, motions, decisions, etc., available to targeted audiences in a timely and useful way.
- determine the communication tools/method to be used for each objective, i.e., electronic, web-based, print, meetings, etc.,
- finally we need metrics to monitor and evaluate the efficacy and effectiveness all of our communication systems.

A central interactive web-site could greatly improve our current communications. This tool is available, though it is still under development and has not yet been fully deployed. To a growing group of stakeholders at ease with the internet, the site could be used in a number of ways to:

- access meeting notices, minutes, motions, decisions, etc.,
- interact with Board Members and the broader community

- provide live video streaming of meetings or special events
- serve as message board
- reserve BBQs
- provide online access to the VoH...

Other aspects that need to be considered:

- the addition of full time staff responsible for communications
- quality and accuracy of basic data elements, i.e., email addresses
- continued access to information for those not using the internet
- online voting

annex 8 - CAPITAL PROJECTS DISCUSSED AT THE COMMITTEE (NOTE: the committee did not prioritize the projects listed, with the exception of stressing the urgency of lining water mains)

Capital Improvement Request for Golf Operations

- Bag Room – Remodel the bag room to make it one room. The walls would be removed allowing more space for storage and making it easier for the workers to get and put away bags. If we could find a way to make the room with sliding storage it would even be better. Estimate \$70,000

- Electrical – The electrical supply bars for chargers in the golf cart garage are slowly breaking down. About 1/3 of them have been replaced and we will need to replace all of them in the near future. Cost estimate \$25,000

- Practice Facilities - Practice Green area needs expansion. Golfers do not have a dedicated place where they can practice chipping. The Golf Superintendent does not want to use the putting green for this purpose and golfers would like an area where they are able to practice. This area has heavy usage on a daily basis. It was something we originally wanted to do with the renovations but did not have the funding to accomplish it at that time. Cost estimate: to be done internally

- Driving range mats need to be installed on a permanent structure. This is another area that was in the original plans when we were renovating that we pulled back on due to budget restraints. We put in a foundation of rocks and put mats on them as a solution for the time being. We need to put in a permanent foundation for our mats and then put in a full length driving range hitting mat. Then we need to keep this in the maintenance budget (i.e. non-recurring capital replacement line item) to replace every so many years as they wear out. The foundation for the mats will always be there. Cost estimate: \$15,000

- Golf Course - replace the cart paths and make improvements on location of the paths themselves. The paths are slowly breaking down and need upgrading. When we do this we will also make them more senior friendly. This will make access to greens and tee areas better by relocating them. We will put more turnarounds in areas where carts often go but there are no paths. We will also look at widening some higher traffic areas so that carts

have an easier time staying on the pavement. Needs engineering report. Cost estimate \$25,000

-repair bridge at 11th hole of the PGA golf course: estimate \$10,000

Capital requests for Buildings, Infrastructure and Operations

- wash-off capture at maintenance facility - need engineering report - cost estimate \$20,000-\$100,000

- lining of cast iron piping - estimate \$30,000 per building - total cost \$2,000,000; alternatively, excavate and replace broken pipes: \$80,000 per building - est. total cost \$5,000,000 (NOTE: the committee has made a separate recommendation on this critical capital upgrading issue).

- replace walk-in refrigerator in restaurant kitchen - \$60,000

- expand restaurant kitchen - need architectural report - cost TBD

- upgrade kitchen in Social Hall - need architectural report - estimate \$80,000

- install dumpster pads at maintenance facility - in house - estimate \$20,000

- replace gasoline tanks at maintenance facility - need engineering report - estimate \$100,000

- build bulk material storage bins at maintenance facility - in house - estimate \$25,000

- install awning outside golf pro shop - estimate \$30,000

- replacement for carpets at elevator landings - cost TBD

- replace BBQ hoods - estimate \$35,000

- replace elevator communication system - estimate \$60,000

- install WiFi at pools - \$1500 X 7

- pedestrian walkway/bicycle path between phase 1 and 2 - estimate TBD

- covered parking - need further discussion and architectural report - financial model could be based on cost-recovery

- buildings: roofs and painting as per capital plan schedule

- elevators as per capital plan schedule