



**BOCA ROYALE
TRANSITION COMMITTEE**

**COMMUNITY MEETING
MAY 12, 2022**

The purpose of this meeting is to provide an overview of work performed this past year by the Transition Committee, on behalf of Boca Royale residents, as it relates to Neal Communities offer to sell “The Club”.



MEETING LOGISTICS

Meeting is being videotaped - link will be posted on Website.

Ask live attendees to write down questions on notecards. These will be collected and answered by Transition members at the end of the presentation.

Zoom participants can submit questions through “Contact Us” facility on Website. Responses will be posted as FAQ’s.

Website will remain accessible but “Contact Us” facility will be taken down May 20th.

Consultant evaluations and reports will be posted on Website.



AGENDA

Meeting Logistics
Transition Committee Goal
Recreation District Financing
NTE Agreement

Rick Krein

Financials

Steve Fleming

Golf Course Due Diligence

Russ Airington

Air Quality Assessment

Russ Airington

Clubhouse Due Diligence

Roger Smith

Summary

Russ Airington

Q&A



COMMITTEE MEMBERS

Russ Airington

Dave Ballantyne

Steve Fleming

David Gillhouse

Howell Kelly

Rick Krein

Pat Kriss

Frank Lugo

Elaine McMahon

Roger Smith



Transition

GOAL OF TRANSITION COMMITTEE

The goal of the Transition Committee was to research the opportunity of purchasing “The Club” from Neal Communities and ultimately make a recommendation as to how the Community may want to proceed.

The recommendation was to be based on facts including, but not limited to, the condition of the assets, the financial situation, wants and needs of the Community, and a purchase price for “The Club.”

The Transition Committee DID NOT and WILL NOT engage in:

Decisions on behalf of the residents

Any commitment with the Club Owner

Roadway/traffic, HOA and Club operational issues are important but are outside the Transition scope and will not be addressed.



RECREATION DISTRICT

Transition Committee assessed financing options for potential purchase. We strongly recommend creation of Recreation District (RD).

A Recreation District is a government entity which would be formed by the residents:

- It provides “sovereign immunity”

- There are tax advantages

- Can issue debt obligations at favorable rates

- Does not obligate Community to purchase Club

If formed, residents elect a Board of Supervisors which:

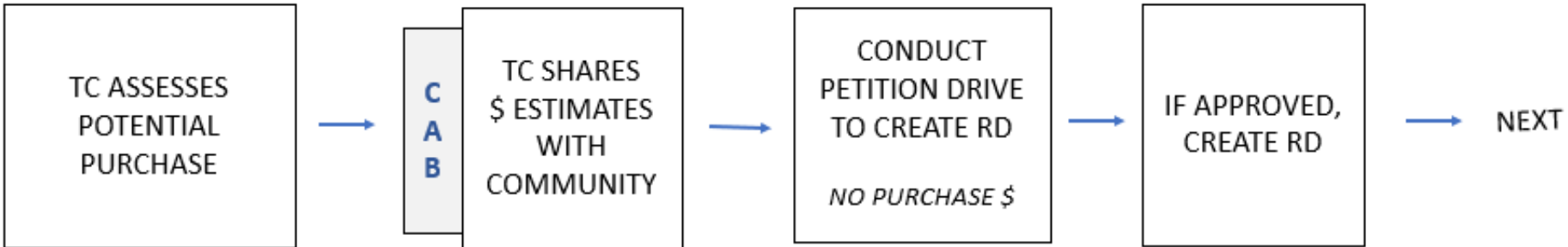
- Negotiates terms/conditions for purchase

- Conducts Community vote to purchase

- Manages the RD



RD / Bond Referendum Approval Process



Investigate on behalf of residents

Reach **“Agreement in Principle”** with Neal:

- . NTE purchase price
- . Bond funding estimate
- . Average assessment fee

Share recommendations with residents after CAB review/approval

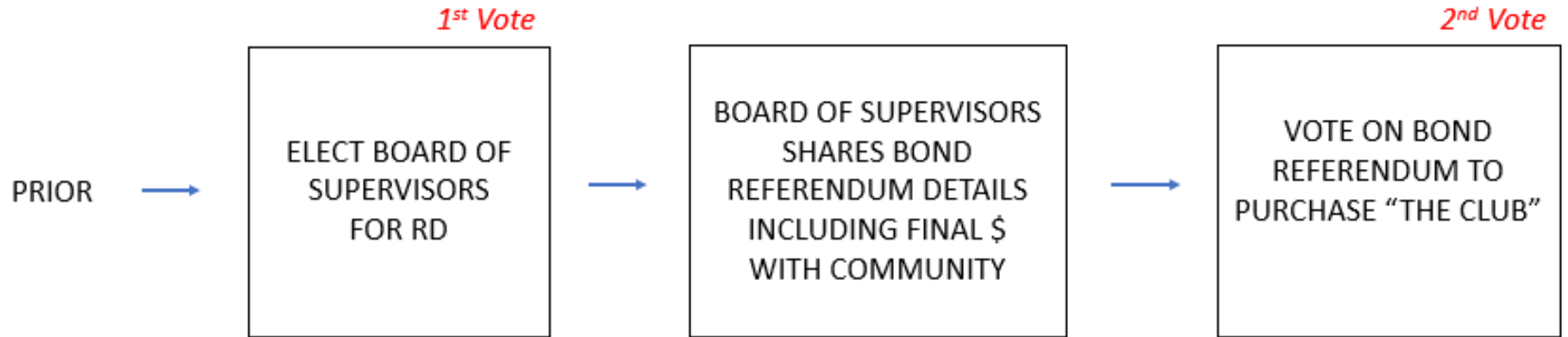
Overseen by Sarasota County

50% + 1 of registered Sarasota County voters with Boca address must sign

RD is governmental agency



RD / Bond Referendum Approval Process



RD Board of Supervisors elected

Election overseen by Sarasota County

TC phased out

Supervisors negotiate actual purchase price, terms and conditions

"Agreement in Principle" used as baseline

Vote on Bond referendum

50% + 1 of all Boca homeowners regardless of where they are registered to vote

One vote per household



Transition

NTE (NOT-TO-EXCEED) AGREEMENT

While negotiating the ***final purchase price*** for “The Club” would be the responsibility of the elected Board of Supervisors, it was the hope/intent of the Transition Committee to come to agreement with Pat Neal on what the Maximum Purchase Price could be. This common business agreement is also called NTE (Not To Exceed).

Because we never discussed purchase price with Pat Neal, we were unable to develop an NTE.

The NTE would have allowed us to better compute a dollar recommendation for bond issuance and what the average assessment cost per household would be.



FINANCIALS

Transition Committee Finance Goal

4 Parts of the Cost Equation

Summary



Finance Goal

Determine if feasible to purchase “The Club” at a net cost range that would be acceptable to residents.



Four items that will influence our projected cost:

Current and projected Social Dues

Current and projected Club profitability

Price of Club (Proposed Bond Payments)

Deficiency corrections

Upgrades / expansion

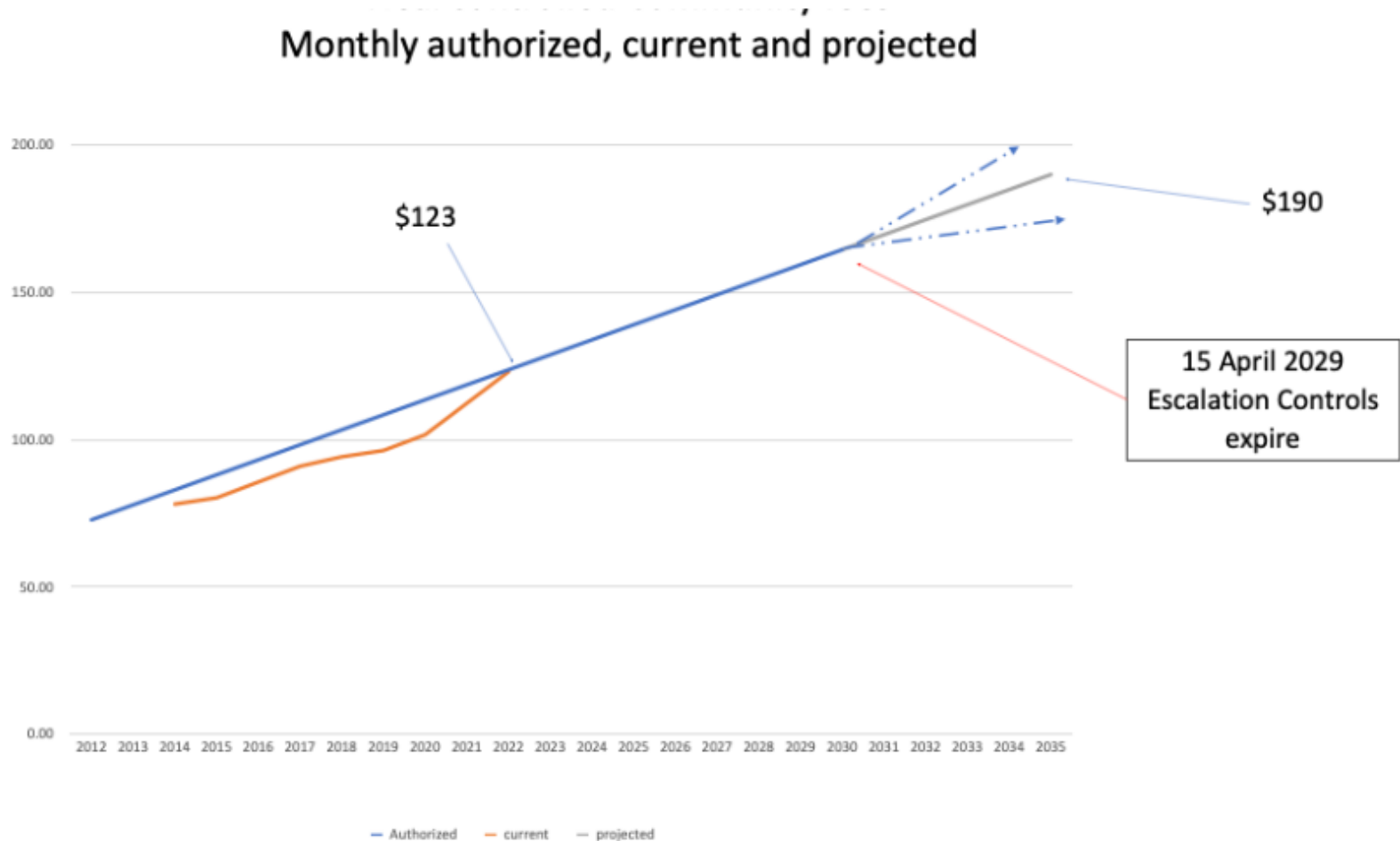
Interest Rates



Current and Projected Social Dues if we do not buy the club

Neal controlled community fees are authorized and controlled by Boca Royale Community Membership Agreement dated 1 Oct 2012 and enacted with Community support in 2012.

Blue Line shows allowed; Orange Line is actual; Current \$115.00/mo, tax = \$123.05



Club Profitability

Hired Troon True Club Solutions to do a complete a Pro Forma Assumptions and details were comprehensive

Food Expense
Cleaning Supplies
Paper Supplies
Dining & Rest. Supplies
Small Eq. & Tools
China
Flowers/Decorations
Gratis Bev.
Gratis Food
Member Rewards
Spoiled Food
Live Bands
Contract Services
Equipment Rental
Equipment R&M
Credit Card Fee
Linen Rental
Uniform Purchase
Office Supplies
Safety Exp.
Direct TV
Computer Equipment
Dues & Subscriptions
Licenses & Permits
Ed. & Training
Employee Recruiting
Employee Relations
Natural Gas
Cash over/short
Bad Debt

Club House expense
Cleaning Supplies
Operating Supplies
Paper Supplies
Small Eq. & Tools
Decorations
Equipment R&M
Utility Cart Lease
Uniform purchase
Internet Cost
Computer Exp.
Employee Recruiting
Employee Relations
Landscaping
R&M Building
Electricity
Elevator R&M
Natural Gas
A/C Repairs
Pest Control
Trash Collection
Security & Fire
Water & Sewer
Lift Station R&M

Course Maintenance
Shop Supplies
Small Eq. & Tools
Consulting Fees
Contract Services
Equipment Rental
Equipment R&M
Leased Equipment
Uniform Purchase
Telephone
Dues & Subscriptions
Fuel Tank L&R
Education/Training
Emp. Recruiting
Emp. Relations
Chemicals
Fertilizers
Aerification
Gas, Oil & Lube
Irrigation R&M
Cart Path Maint.
Sand, Gravel, Topdressing
Seed & Sod
Landscaping
Tree Care
Waste Removal
Lake Maintenance
Signage
R&M Building
Electricity
New Range Care
Water
Reuse Water
Storm Clean Up

G&A Expense
Consulting Fees
CF - Purchase
Copier Maint. & Supplies
Eq. R & M
Leased Equipment
Bank Charges
Office Supplies
Postage & Freight
Telephone
Computer Expense
Dues & Subscriptions
Marketing
Licenses & Permits
Education & Training
Employee Recruiting
Employee Relations
Legal Expense
Website Hosting
Rent Expense
Loan Costs
Property Tax
Business Taxes
Insurance
Sales Tax Discount

Club Profitability

Troon Pro Forma

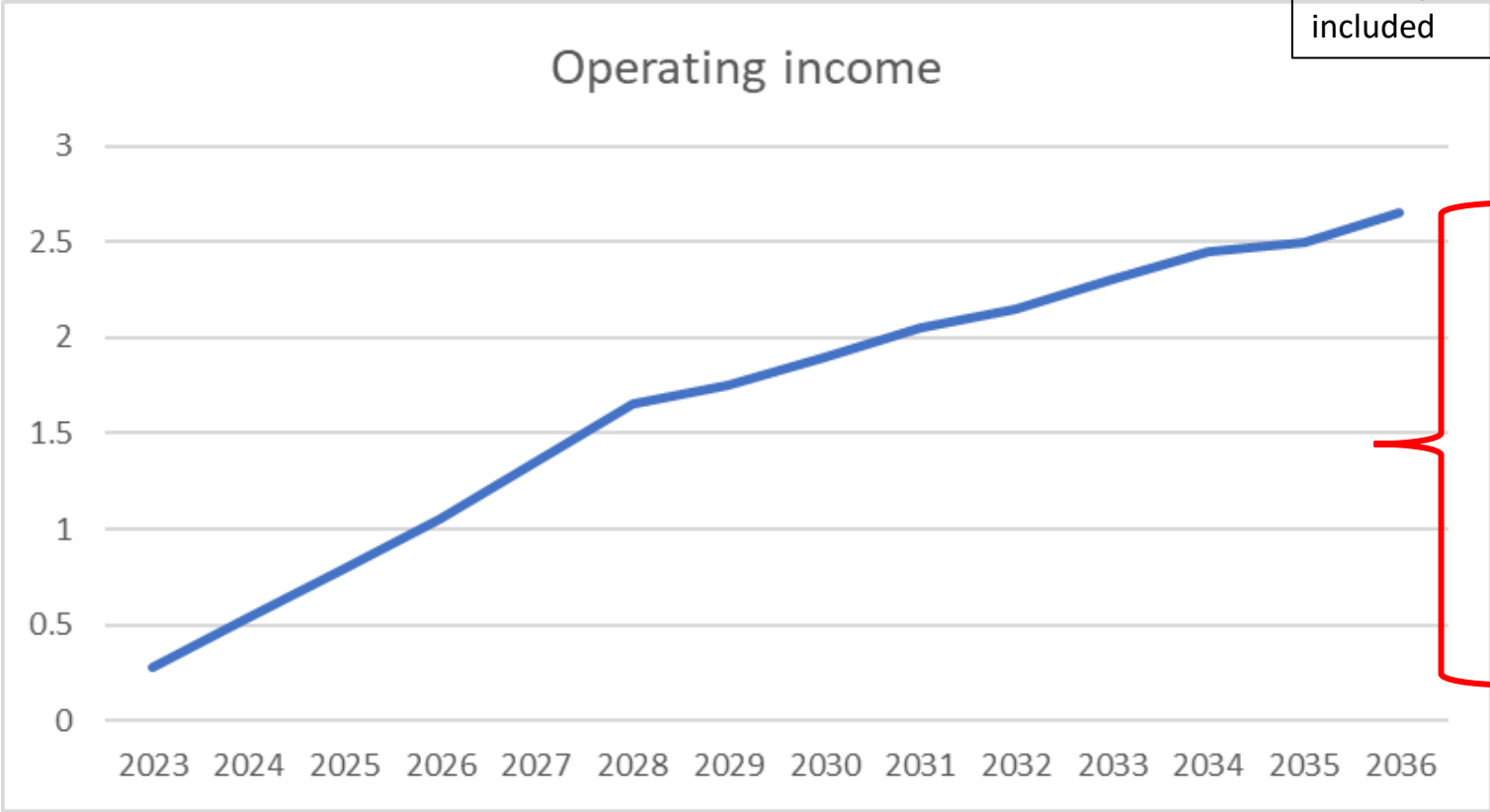
(roll up)

	2021	Budget	2023	2024	2025	2026
Revenues						
Total Revenues	4,570,211	5,109,930	5,381,049	5,691,571	6,033,003	6,382,906
Cost of Sales						
Total Cost of Sales	521,855	619,304	859,035	859,840	869,011	878,291
Gross Profit	4,048,357	4,490,626	4,522,014	4,831,731	5,163,992	5,504,615
Operating Expenses						
Total Operating Expenses	3,224,677	3,356,979	3,420,651	3,482,044	3,544,691	3,608,620
Operating Profit	823,679	1,133,647	1,101,363	1,349,687	1,619,301	1,895,995
Fixed Operating Expenses						
Total Fixed Operating	366,965	375,011	377,472	379,968	385,570	388,140
Gross Operating Profit	456,715	758,636	723,891	969,718	1,233,731	1,507,855
Other Expenses						
Total Other Expenses	225,025	154,142	156,490	158,874	161,427	163,887
Net Operating Income	231,690	604,494	567,401	810,844	1,072,304	1,343,968
Net Income (Loss)	167,193	604,494	567,401	810,844	1,072,304	1,343,968
(Capital Reserve)		(255,496)	(269,052)	(284,579)	(301,650)	(319,145)
Initiation Fees - Club	251,015	93,110	119,117	147,675	153,399	157,228
Initiaion Fees -		112,424	115,648	118,872	121,424	121,424
Net Cash Flow	418,208	554,531	533,114	792,812	1,045,476	1,303,475

Troon Pro Forma

* Operating income minus 5% of revenue (Capital reserve) Initiation fees not included

Operating income



Approx \$27Million cumulative

Homes 949 1021 1093 1165 1237 1309 1386 1458 1530 1602 1679 1746 1818 1890

CLUB PURCHASE PRICE

Role of Transition Committee: Discussion with seller on NTE and Term Sheet.

OFFICIAL NEGOTIATION WOULD BE CONDUCTED BY THE ELECTED BOARD OF SUPERVISORS:

Dependent on extent and quality of repairs and upgrades

Due diligence corrections that remain

Desired extras supported by Community



BONDS

Interest rates are increasing.

Interest rates are a key factor in the equation.

Bond Monthly Payments for 1,950 Homes

<u>Bond Amount</u>	<u>3% Monthly Payment</u>	<u>4% Monthly Payment</u>
\$20M	\$43	\$49
\$30M	\$64	\$73

Notes:

Neal Communities has agreed to make bond payments on all planned lots until purchased by new residents.

The total bond amount would include the cost to purchase the Club from Neal, renovations/deficiency corrections, and bond fees.



PROFITABILITY IN PRO FORMA PRESUMES RD IS IN PLACE

Reduces taxes

Reduces insurance

Allows access to government discounts

Operates as a Not for Profit

A RECREATIONAL DISTRICT IS A GOVERNMENT ENTITY AND IS THEREFORE A NOT FOR PROFIT

Excess Cash Disposition

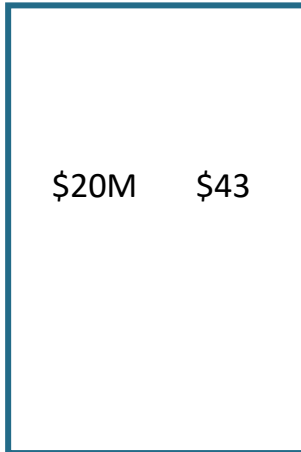
1. Reinvest in district assets
2. Reserve for capital projects
3. Return to district members



WHAT GOES INTO HOMEOWNER COST?

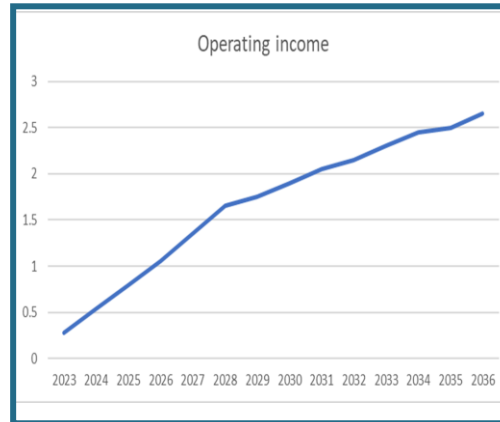
(2027 example)

Bond payment



\$43

50% of RD profit reduced Community fees



\$85

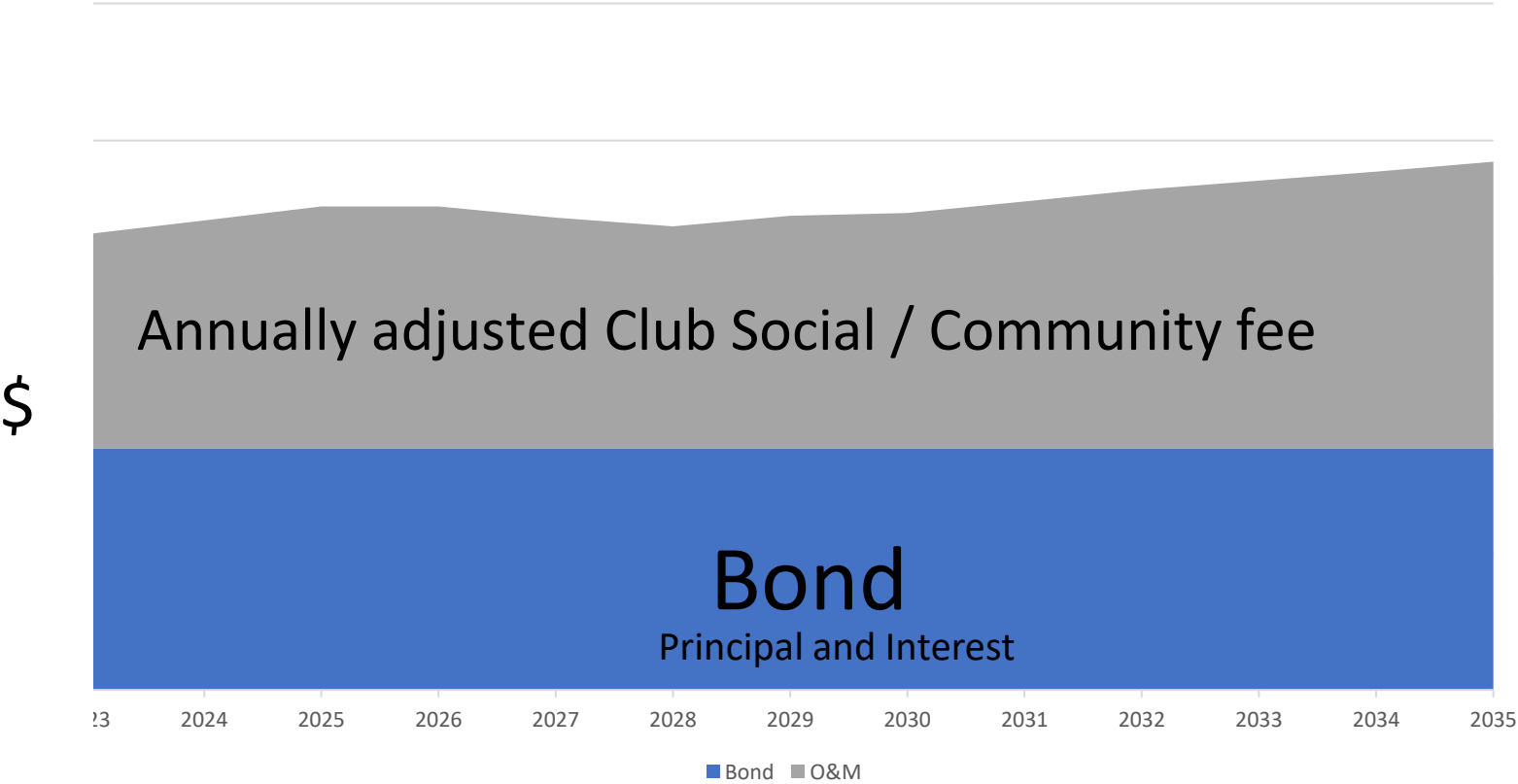


COST

\$128

With no RD the 2027 escalated Community fee projected to be \$149

Home Owner Net Cost



Hypothetical Example

Using Troon Pro Forma, Monthly resident RD expense
 (\$20M Bond – 50% club profits returned)



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
fee+bond	145	140	136	132	127	124	128	129	133	137	140	144	147
No RD Neal	129	134	139	144	149	154	159	164	170	175	180	185	190

— fee+bond — No RD Neal

2023 to 2035 – 50% Operating income reinvest = \$10.5 Million

2023 –to 2035 –5% capital reserve + initiation fees = \$7.6M

FINANCIAL SUMMARY

There are many unknowns.

Fundamentals point to achieving/exceeding target payment goal.

Timing is dependent on Boca East.



DUE DILIGENCE

Various evaluations were conducted on
“Club” assets:

Golf Course

Fitness Center

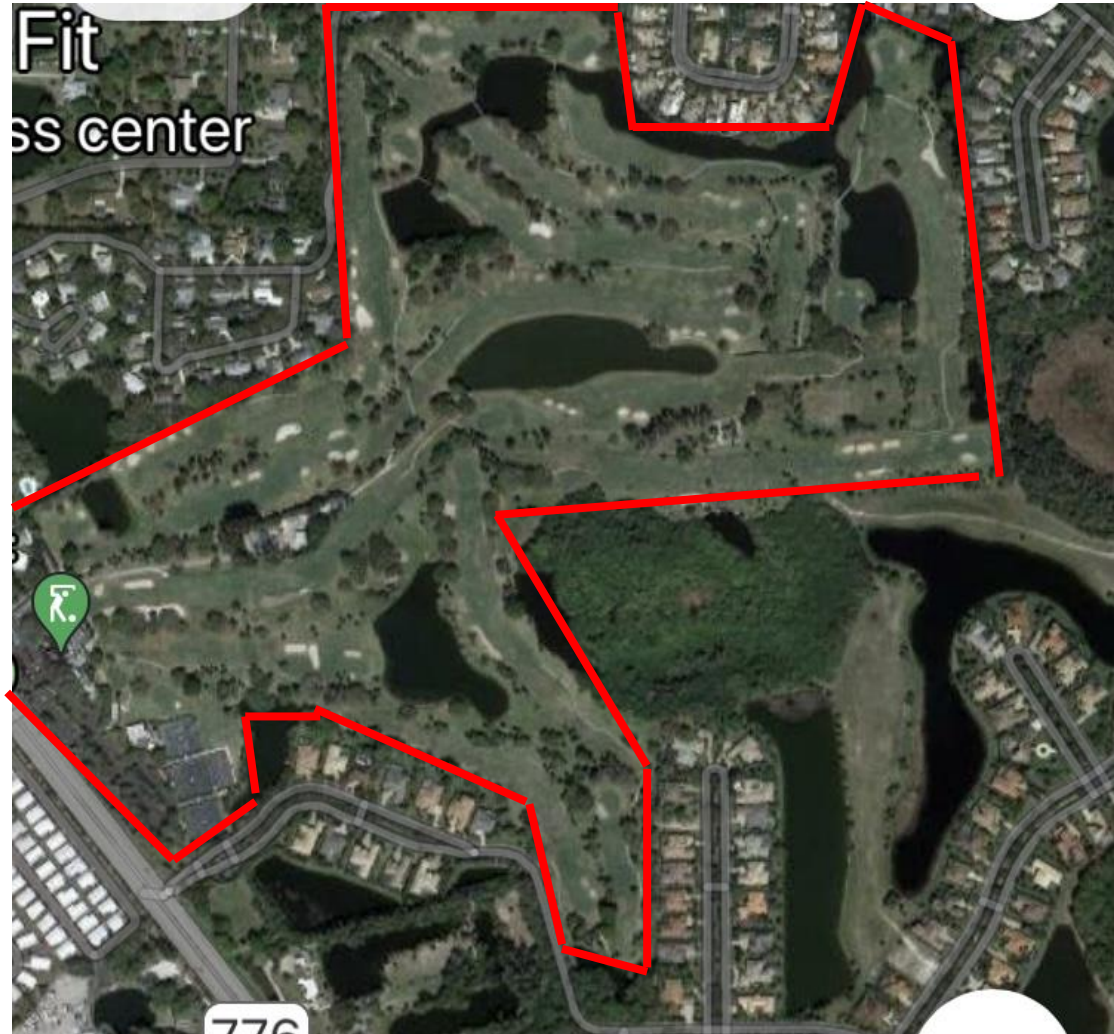
Racquets

Clubhouse



Boca Royale Golf & Country Club

Everything inside the red line



DUE DILIGENCE – GOLF COURSE

Transition Committee worked with Greens Committee.

Three consultants conducted on-site reviews and provided recommendations.

Larry Weber – Horticulturist / Agronomist
Engaged by Buena Vista

Bryce Swanson – Rees Jones Golf Course Designer
Engaged by Transition Committee

Gordon Lewis - Golf Course Architect
Engaged by Buena Vista



GOLF COURSE CONSULTANTS - SIMILAR CONCLUSIONS

Tired and neglected (built 1965 – 1967)

Maintenance has been poor

Critical components in need of repair

Long-range plan should be developed and implemented

Cost of improvements varies based on scope of work



GOLF COURSE IMPROVEMENTS

Since due diligence began, Neal Communities has:

- Hired new Golf Course Superintendent

- Built additional hole

- Reconstructed hole / permanent driving range

Transition Committee has stressed to Pat Neal the need to improve the irrigation system. In conjunction with the Greens Committee a long-range plan for golf course maintenance and upgrades is being developed.

Transition recommendation would be to fund the majority of improvements through on-going operating income / profits. This decision would ultimately be made by the Board of Supervisors.

Golf course currently generates in excess of \$600,000 in free cash annually.



RACQUETS & FITNESS CENTER IMPROVEMENTS

Tennis Deferred Maintenance

Pickleball Deferred Maintenance

Additional Pickleball Courts

Fitness Center – Pending Boca East Plans

Direction is for Neal to build separate facility



AIR QUALITY / MOLD STUDY
AQM, INC. – JULY 26, 2021

Air samples analyzed and relayed to Community two days later.

Inspectors indicated no reason to cause alarm or evacuation.

Reinforced by Sarasota County Health Inspector.

AQM did identify surface areas they felt might require remediation.

Transition Committee expanded scope of AQM contract to identify mold issues and develop remediation protocol for removal.

Full report was shared with Neal and Boca Community.

Neal began remediation with fixing roof leaks. Their work continues.



DUE DILIGENCE - CLUBHOUSE

Immediate areas of concern identified through due diligence have been shared with Neal Communities.

Neal Communities announced its renovation plans for “The Club”. These plans were subsequently shared with engineers and contractors who we hired as part of our due diligence.

Intend to budget for any critical deficiencies not included in Neal renovations.

Transition survey results provided valuable input on Boca resident “wishes”. This compiled data will be shared with the Board of Supervisors for future consideration when developing the bond proposal.



FACILITY STUDY – MECHANICAL SYSTEMS

WILSON GERGENTI ENGINEERING – NOVEMBER 2021/ JANUARY 2022

Clubhouse has approximately 20 split air conditioning systems/handlers. 9 above the ceiling at the gable roof area. Age and condition of each has been reported.

Most of the condensers are grouped at south end of building in a "farm".

Many air handlers have no outside air connections and vent to plenum.

Concluded building is negatively pressurized due to kitchen exhaust air balancing - work underway.

Some units require R22 refrigerant which is no longer manufactured and is not code compliant. These need to be flushed or replaced.

Report was shared with Neal Communities.



FACILITY STUDY – ELECTRICAL SYSTEMS

WILSON GERGENTI ENGINEERING – NOVEMBER 2021 / JANUARY 2022

Existing service systems were found to be in a problematic condition.

Existing main service should be replaced.

Main transformer should be replaced (FPL?).

Report was shared with Neal Communities.



FACILITY STUDY – PLUMBING SYSTEMS
WILSON GERGENTI ENGINEERING – NOVEMBER 2021 / JANUARY 2022

Existing systems and fixtures are generally in good working order but many are at their useful life expectancy.

Report was shared with Neal Communities.

Replacement of some fixtures is considered in the Neal renovation plan.



FACILITY STUDY – FIRE PROTECTION SYSTEMS
WILSON GERGENTI ENGINEERING – NOVEMBER 2021 / JANUARY 2022

Several areas of concern identified as requiring corrective and/or additional work to meet code requirements.

Report has been shared with Neal Communities.

Corrective work has been accomplished.



SUMMARY

Transition Committee has performed extensive research on behalf of the Community.

With many unknowns, the Committee is officially “on hold”.

In order to “re-engage” the Committee:

- Neal Communities must purchase Boca East property

- Significant progress must be made on Club improvements

We will update Website after this meeting. Website will be accessible but no longer updated. “Contact Us” facility will be closed down May 20th.



[WELCOME](#)[NEWSLETTERS](#)[SURVEYS](#)[COMMUNICATIONS](#)[FAQ'S](#)[❤️ BOCA](#)

Get in Touch

Boca Royale Transition Committee, LLC
1601 Englewood Road Englewood, FL
34223

Your comments will be shared weekly with the Transition Committee. Common questions and issues will be addressed in our Newsletters. Unfortunately, with a limited volunteer team, we will be unable to respond to each note individually.

You may also send an email with any attachments (i.e., photos, documents) to ContactUs@BocaRoyaleTransitions.com.

Contact Us



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Transition