



November 14, 2015

Dear Friends, Neighbors, and Fellow Property Owners of Corrotoman By The Bay Association:

This is to update you on the financial condition of our community. As the board has advised our members, existing revenues are not adequate to pay for the maintenance of the community.

ANNUAL DUES ASSESSMENT

As explained over the past few years, our Corrotoman By The Bay Association can no longer operate on the current income from the annual assessment dues alone. Despite cost cutting, our community's annual expenditure is \$72,940. Based upon 591 lots paying \$80 per year, even if every property owner paid the annual assessment, our community would have a total of \$47,280. This is an annual deficit of \$25,660.

Our last annual assessment increase was nearly twenty years ago. Attempts to increase the annual assessment since then have failed time and again. Last year, the Board proposed that community members approve an annual assessment increase from the current rate of \$80 per lot to \$120 per lot. If everyone paid, this would provide \$70,920 of revenue. This request was voted down twice last year.

Another serious situation is regarding delinquent accounts: as many as 25% of property owners do not pay their assessments. Some owners have not paid for years and years. The Board has addressed this issue with a new collection policy that includes legal action such as warrants in debt, liens on properties, and foreclosure on properties.

RESERVE FUND

As set out in our governing documents, the duties and obligations of a Home Owner Association (HOA) board include maintenance, operation, repair, and replacement of common areas in the development. State law requires all HOAS, including Corrotoman By The Bay Association, to have money reserved for the care of community facilities.

To accurately estimate the financial needs of caring for the common property of the Association, the Board authorized and approved an update to the Corrotoman By The Bay Replacement Reserve Study. State law mandates that this report be updated no less than every five years. This updated report is available for your review at www.corrotomanbythebay.org and at the CBTB clubhouse. The report determined that in order to have adequate reserve funds for future repairs, the average requirement over the next four years is \$67,086 per year.

BALANCED BUDGET

Since existing income does not meet existing expenses much less fund the reserve account, CBTB will consume all our current funds and face bankruptcy within the next two years.

If CBTB goes bankrupt, the US Federal Bankruptcy Court will assign an attorney as a trustee to run the Association. When that happens, neither the Board nor property owners will have a say. At that point, the fees levied against the owners will be much higher in order to pay for attorney and management fees, in addition to making required repairs to facilities we have to maintain already. Property values will drop significantly since it is difficult to attract any buyers to a bankrupt community.

To meet the financial obligations of the Association, additional income beyond the annual assessment is required to maintain a balanced budget and prevent bankruptcy.

\$ 72,940	Annual expenditure
+ 67,086	Replacement reserve
\$140,026	Total required revenue

**\$140,026 divided by 591 lots equals \$240 per lot
minus \$80 per lot (annual assessment) is \$160 per lot (special assessment)**

SPECIAL ASSESSMENT

As required by state law, Code of Virginia 55-514, the Corrotoman by the Bay Association Board of Directors is informing you of the approval at the November 14, 2015 board meeting of a special assessment of \$160 per lot per year due March 1, 2016. The Board found this to be in the best interests of the Association. The proceeds of the assessment will be used for the maintenance, upkeep, repair, and replacement of common area and CBTB facilities.

Why is this necessary?

- The present annual assessment of \$80 per lot per year does not cover the expenses of the community including maintenance of roads, grounds, clubhouse, marina, pool, tennis courts, and other facilities.
- Failure to maintain CBTB facilities will lower our property values and make properties more difficult to sell.
- Since the present income is unable to pay expenses, no contribution to the replacement reserve fund is being made. This means that money will not be available when expensive repairs are needed.
- The updated Replacement Reserve Study recommends that an average of \$67,086 per year be deposited in the reserve fund for future repair of facilities.
- Failure to pay by as many as 25% of property owners has caused a problem in having adequate income. A new collections policy has been implemented to require everyone to pay their required share.

Why not increase annual assessment instead of a special assessment?

- The annual assessment of \$80 per lot per year has been unchanged for nearly 20 years.
- A change in the bylaws is required to increase the annual assessment.
- Within the past 12 months the previous board held two elections asking members to vote for the increase, but the increase was denied both times.

Why not reduce expenses?

- CBTB is operated as economically as possible with help from many volunteers, however as facilities age, major repairs or replacement are required.
- Delays in making repairs will lead to more costly repairs in the future.
- Not repairing roads or mowing common areas, closing the pool and clubhouse are not in the best interests of the community.

What if CBTB goes bankrupt?

- Since existing income does not meet existing expenses, CBTB will consume all the reserves and face bankruptcy in the next two years.
- If CBTB goes bankrupt, the bankruptcy court will assign an attorney as a trustee to run the association.
- The Board and members will have no say. None.
- The fees levied against the owners will be much higher in order to pay for attorney and management fees, in addition to making required repairs to facilities and roads.
- Property values will drop significantly since it is difficult to attract any buyers to a bankrupt community.

What if I cannot pay on March 1, 2016.

- The combined annual and special assessments are equal to \$20 per lot per month.
- Pay by credit card through Rivers Accounting.
- If you cannot pay on time, contact the Board through Rivers Accounting to explain your situation for consideration to create your own payment plan.
- If you do not pay on time, the new collection policy will be implemented using legal actions that may include judgment, a lien on your property, and foreclosure on your property.

Questions?

- If you have any questions, please feel free to contact any member of the Board of Directors to discuss. All contact information is on our website: www.CorrotomanByTheBay.org.

SUMMARY: \$240 per lot is due by March 1, 2016. This is the combination of \$80 annual assessment per lot and \$160 special assessment per lot.

We appreciate your understanding the difficult situation our community is facing and the action the Board has taken to get us moving in the right direction now and for the future. Thank you for supporting Corrotoman By The Bay Association.

Board of Directors

Robert Bennett, President
Jean Ehlman
Chris Naumann

James Allen
Roger Failmezger
Susie Pierce

Rocky Boykin
Sam Longstreet
Beverly Saunders