

Corrotoman By The Bay Association, Inc.

Finance Committee
Property Owners Association Increase Proposal
October 8, 2016

Finance Committee

Members:

- Bill Ehlman
- Craig Adler
- Neal Garner
- Rebecca Nelson
- Vicki Bartlett, CPA

Ex- Officio Members:

- Sam Longstreet, CBTB Board Treasurer
- Cristian Shirilla, CBTB Board Member



History

- Covenant For Maintenance Assessments
 - 1967- \$20.00
 - 1970- \$28.50
 - 1973- \$40.00
 - 1981- \$50.00
 - 1986- \$60.00
 - 1997- \$80.00
- During the first 30 years the assessment increased by 400%
- During the last 20 years the assessment has increased by 0%
- Inflation adjusted from the 1970 base of \$28.50 would be \$214 today
- This assumes the \$28.50 was adequate to support long term capital replacements

Other POA Comparisons

- How does CBTB compare to other communities

	<u>Per Year A Lot</u>	
• Mallard Bay (170 Lots)	\$450.00	Pool, Tennis, Boat Dock, Club House
• Heritage Point (200+ Lots)	\$315.00	Pool, Tennis, Boat Dock, Club House
• River Bend (90+ Lots)	\$250.00	Pool, Tennis, Boat Dock, Club House
• Hills Quarters (unknown)	\$2,640.00	Pool, Club House, Tennis* See Below
• Bay Quarters (200+ Lots)	\$225.00	Pool, Tennis, Boat Dock, Club House
• CBTB (591 Lots)	\$80.00	Pool, Tennis/Pickleball, Boat Dock, Boat Ramp, Club House

* Hills Quarters collects \$220 per lot for 12 months = \$2,640 per lot total

Why

- We need to maintain our amenities and have capital reserves for future costs so we can continue to have a healthy and viable community
- Helps to maintain our real estate values
- We also would like to reduce and/or eliminate the need for special assessments. This would give our property owners a better idea what to plan or budget for on an annual basis
- Virginia Code (Law) - Chapter 26, Property Owners' Association Act, Section 55-514.1 requires a capital reserve study and the need to budget for reserves and accumulation of cash

Replacement Reserve Report

- We analyzed the replacement reserve report to ensure we are being prudent in our overall assessment for future expenditures
- Attempting to keep annual reserve as reasonable as possible at the same time being fiscally prudent with our long term obligations
- The report indicates we would need \$1,565,000 over a 40 year study, we decreased that amount to \$1,042,000 based on the following

Replacement Reserve Report, cont.

The report is broken into the following major categories:

	Reserve Study Recommendation	Finance committee Recommendation*
1. Roads	\$480,220	\$240,000
2. Pool	\$343,442	\$340,000
3. Tennis/Pickleball Courts	\$241,284	\$100,000
4. Club House/Pavilion	\$210,761	\$200,000
5. Boat Dock	\$150,807	\$125,000
6. Internal Club House	\$96,090	\$60,000
7. Golf Course	\$80,000	\$0
	Total \$1,565,000	Total \$1,042,000

*Finance Committee's Recommendation is the Committee's judgement that the Study was complete, but too rich and duplicative in certain areas

Proposal

- The Finance Committee is recommending to the Board and the Community we increase the annual assessment from \$80.00 per lot to \$180.00 per lot
- This increase will help cover the annual operating budget of \$65,000 plus this will begin to build up the capital reserve account

How We Calculated The Increase To \$180.00

- We took the existing operating budget of \$65,000
- We extensively evaluated, reduced and adjusted the Capital Reserve Report to determine what should be included and how much we needed to save

Replacement Reserve Report, cont.

- The report is broken into the following major categories:

	Reserve Study Recommendation	Finance committee Recommendation*
1. Roads	\$480,220	\$240,000
2. Pool	\$343,442	\$340,000
3. Tennis/Pickleball Courts	\$241,284	\$100,000
4. Club House/Pavilion	\$210,761	\$200,000
5. Boat Dock	\$150,807	\$125,000
6. Internal Club House	\$96,090	\$60,000
7. Golf Course	\$80,000	\$0
	Total \$1,565,000	Total \$1,042,000

*Finance Committee's Recommendation is the Committee's judgement that the Study was complete, but too rich and duplicative in certain areas

Things To Consider

- **We would still maintain separate fees for:**
 - Pool - \$100.00
 - Tennis/Pickleball Courts - \$5.00
 - Boat Slips - \$150.00
 - Kayak Rack Space - \$20.00
 - Club House Rental - \$100.00
- **What this does not include:**
 - Professional property management (\$34.00/Lot)
 - Pool attendants (\$15.00/Lot)
 - Inflation

What It Assumes:

- Continuation of a “strong” volunteer program

Details Behind The Numbers

- \$180 x 591 CBTB Lots = \$106,380
(assumes everyone pays)
- Annual Budget = \$ 65,000
- Amount added to Capital Reserve = \$ 41,380
- Full Capital Reserve Study requires = \$ 42,500

(See next slide)

Actual Expectation

302 CBTB Property Owners:

- Expect a 15% delinquency rate in payments received

\$180 X 591 Lots	\$106,380
Less 15 % Delinquency	15,957
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	90,423
Annual Budget	65,000
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Amt. Available to Cap. Reserve	\$25,423

Recommendation

- Board to provide all information to community in accordance with the by-laws
- The increase in the annual assessment will become effective, March 1, 2017
- Continue to review the operating budget and capital reserve fund annually