



Corrotoman By The Bay

Community Briefing

New Pool Funding

8/20/22

Agenda

- Board approval to build pool
- Four Funding Options
- Recommendation & summary
- Q&A

Board Approval to Build Pool

- At the 6/11/22 CBTB Board meeting the following motion was approved:

Voted to accept the pool committee's recommendation to build a new pool. The Board directed the Finance Committee to recommend funding options.

Cost of Pool = \$474,000

Notes:

- **assumes Fall 2024 build date**
- **3% inflation**
- **does NOT include upgraded features**

Cost of Pool = \$474,000

Notes:

- **assumes Fall 2024 build date**
- **3% inflation**
- **does NOT include upgraded features**

Option 1

Assumes 479/591 lots pay (80%)

1x Special Assessment

- **no Capital Reserves used**
- **no financing**

\$990/lot 1x special

+\$180/lot annual assessment

\$1,170 (yr 1) \$180 (yr 2-on)

Cost of Pool = \$474,000

Notes:

- **assumes Fall 2024 build date**
- **3% inflation**
- **does NOT include upgraded features**

Option 2

Assumes 479/591 lots pay (80%)

Finance, Capital Reserves, 1x Special, 15x Special

- **\$169K financed over 15 yrs**
- **\$205K draw on Capital Reserves**
- **\$100K 1x special**
- **\$19K/yr x 15 yrs - special assessment**

\$209/lot 1x special
\$180/lot annual assessment
+\$ 40/lot special x 15 yrs

\$429(yr 1) \$220 (yr 2-15)

Cost of Pool = \$474,000

Notes:

- **assumes Fall 2024 build date**
- **3% inflation**
- **does NOT include upgraded features**

Option 3

Assumes 479/591 lots pay (80%)

Finance, Capital Reserves, 1x Special, 15x Special

- **\$194K financed over 15 yrs**
- **\$205K draw on Capital Reserves**
- **\$75K 1x special**
- **\$21K/yr x 15 yrs - special assessment**

\$157/lot 1x special

\$180/lot annual assessment

+\$ 44/lot special x 15 yrs

\$381/lot (yr 1) \$224 (yr 2-15)

But,

	Option 1	Option 2	Option 3
Yr 1	\$1,170	\$429	\$381
Yr 2-15	\$180	\$220	\$224

**\$180/lot annual
assessment**

Operating Budget ~ \$100K

- **Potential cost exposure**
 - **Roads/Grounds Management \$15-20K**
 - **Pool Management \$10-15K**
 - **Dock, clubhouse, pavillion, courts**

Capital Reserves

- **Not fully funded**
- **There will be delays in bigger maintenance repair projects**
- **Potential 1x assessments until Capital Reserve is fully funded**

Cost of Pool = \$474,000

Notes:

- **assumes Fall 2024 build date**
- **3% inflation**
- **does NOT include added features**

Option 4

Assumes 479/591 lots pay (80%)

Finance, Capital Reserves, Annual Assessment 

- **\$0 special assessment**
- **\$269K financed (57% of total)**
- **\$205K draw on Capital Reserves**
- **+\$80 to annual assessment**

\$000/lot 1x special
+\$260/lot annual assessment
\$260/lot

Opt 1: **\$1,170/\$180** Opt 2: **\$429/\$220** Opt 3: **\$381/\$224**

Why \$80?

- Current assessment is at **\$180.00** per lot per year
 - \$180 assessment has not been inflation adjusted since 3/1/17
 - Increase the assessment by **\$15.00/lot** to cover the past 6 years of inflation
- Pool/tennis budget is \$9,750 per year with a fee of \$150.00 per family
 - Recommend combining with assessment at an increase of **\$20.00/lot**
- Increase the assessment by **\$45.00/lot** to properly build reserves in accordance with our annual Reserve study to cover our many CBTB amenities and replacement, upgrades & maintenance as required & to cover our bank financing debt service for 15yrs for approx. \$30k/yr.
- Total new assessment recommended is **\$260.00/lot**

Option 1

Option 2

Option 3

Yr 1

\$1,170

\$429

\$381

Yr 2-15

\$180

\$220

\$224

**\$180/lot annual
assessment**

Operating Budget ~ \$100K

- Potential cost exposure
 - Roads/Grounds Management \$15-20K
 - Pool Management \$15K
 - Dock, clubhouse, pavillion, courts

Capital Reserves

- Not fully funded
- There will be delays in bigger maintenance repair projects
- Potential 1x assessments until Capital Reserve is fully funded

	Option 1	Option 2	Option 3	Option 4
Yr 1	\$1,170	\$429	\$381	
Yr 2-15	\$180	\$220	\$224	\$260

- ✓ Build new pool
- ✓ NO special assessment
- ✓ NO pool or tennis amenity fees

- ✓ Increased operating funds
- ✓ Funds Capital Reserves
- ✓ Reduces likelihood of future special assessment

Finance Committee Recommendation:

- 1. Board seek community approval to increase annual dues to \$260/lot, effective March 1, 2023**
- 2. Board grant approval for finance committee to negotiate financing**
 - a. final amount determined by community's vote on funding strategy**
- 3. Amend by-laws to allow for 2% Consumer Price Index (as needed)**
 - a. 2% of \$260 = \$5/lot**
- 4. Allow for a decrease in dues if Board determines there is an adequate surplus in operating funds for 3 consecutive years**
- 5. Allow for add-ons (benches, slide, bubblers) as long as fully funded by individual property owners (to be appropriately recognized)**

Q & A

Appendix

Pool Pricing & Funding Approach

- Total expected price of the project is forecasted to be \$474,000
 - Assumes a build date of Fall 2024
 - Assumes 3% inflation factor from May 2022 proposal (\$440k)
- Bank financing of \$269,000 (57%)
- Use reserves of \$205,000 (43%)

Bank Financing details

- Financing Option explored in depth
 - Finance Committee met with Tom Richardson on 12/15/21, Chesapeake Bank, VP of Commercial Lending
 - Finance Committee met with William Smith on 12/31/21, Blue Ridge Bank, VP Commercial Loan Officer
- Range of loan is typically 50-75% of total project (**projected - \$269k of \$474 = 57%**)
- Bank will need standard collateral (pool, clubhouse, etc)
- Approximate terms at June 2022:
 - Ches Bank - 15 yrs, 5.5% (prime + .5 or .25) rate adjusts every 5 years (if we did 10 year would do a fixed interest rate) - assuming 7.25% Fall 2023, \$2,500 closing costs
 - Blue Ridge Bank - 15 yrs, 5.6%, adjusts once at 7 years - assuming 7.25% Fall 2023, \$5,400 closing costs

Bank Financing Details, cont.

- Interest Expense Details by each Financing Option - Interest Rate Assumed 7.25%
 - Option 2 - Loan Amt \$169k, Annual P&I \$18,513, Interest Exp over 15 years - \$108,693
 - Option 3 - Loan Amt \$194k, Annual P&I \$21,251, Interest Exp over 15 years - \$124,772
 - Option 4 - Loan Amt \$269k, Annual P&I \$29,467, Interest Exp over 15 years - \$173,008

Reserve Use & Funding

- Reserve balance at 2/28/22 is at \$139,000
- Current additions to reserves are planned to be \$42k/year
- With the increase of assessment to \$260.00/lot new reserve additions are forecasted to be \$63.5k/year
- This will allow for adequate reserves to be built and used to fund our CBTB amenities replacements, upgrades & maintenance as required
- This will allow for funding of the bank financing debt service for 15yrs for approx. \$30k/yr
- The pool build will use \$205,000 of reserves in Fall 2024
- The low balance of reserves at 2/28/25 (FY of pool build) will be \$37k while still funding \$18k of forecasted maintenance
- The End of Year balance of reserves thereafter will average approximately \$49k and will be in conformity with our annual Reserve study