

## NOTICE TO HOMEOWNERS

SUBJECT: (1) Results of Election Regarding Authority to Increase Regular Assessment  
(2) Board Adoption of Increase in Regular Assessment

DATE: December 30, 2019

This notice is provided to inform homeowners about an increase in the regular assessment payable by homeowners/members to the Rocky Ridge Properties Owners Association (the "Association").

*Background.* Insurance premiums – including in particular the premiums for property liability insurance which the Association procures to protect Rocky Ridge's buildings from casualties such as fire – constitute a significant portion of the annual costs borne by the Association in the operation of Rocky Ridge. In 2019 this insurance cost approximately \$105,000 for the full calendar year.

This past Fall the board learned that the issuer of the Association's 2019 property damage insurance policy would not provide such coverage for 2020. As the board sought alternative coverage, the board further learned that the premium for any alternative policy would be much higher than the premiums paid in 2019. Indeed, as of the end of November the lowest premium quoted for property damage coverage was \$325,000.

*Election.* To collect revenues to pay such a premium, the board calculated that the Association's regular assessment would need to be increased by close to 25%. Under the Association's bylaws, an increase of such magnitude requires approval by at least a majority of a quorum of the homeowners (i.e., a majority of at least 50% of the homeowners).

To obtain such approval, the board held an election seeking authority to increase the regular assessment from \$10,300 per year to \$12,660. Ballots were due by December 26, and ballots were counted during a board meeting on December 27<sup>th</sup>. A quorum of homeowners (67) submitted ballots, with 45 voting to authorize an increase in the regular assessment to up to \$12,660.

*Increase in Assessment.* While the board proceeded with the election, the board also continued to pursue alternative insurance. The board ultimately succeeded in securing a commitment from an insurer to provide (i) coverage through May 15, 2020 at a premium of approximately \$74,000, and (ii) an option for the Association to elect to extend the coverage for an additional 12 months (for an additional premium of just less than \$200,000). The board has elected to procure this insurance (but to continue to pursue and consider alternative coverage for the period after the initial May 2020 expiration date, with an eye toward reasonably minimizing insurance costs).

Since the coverage into May of 2020 can be procured for a lower premium than anticipated earlier this Fall, the board concluded that the increase in the regular assessment can be less than that approved in the recent election and yet still permit the Association to pay the necessary premiums. **Accordingly, on December 27<sup>th</sup> the board adopted an increase in the regular assessment for 2020 to \$11,580 per year (\$2,895 per calendar quarter), effective immediately.** The first quarterly installment shall be due on February 1, 2020 and delinquent if not paid by March 2, 2020. The second quarterly installment shall be due on April 1, 2020 (and delinquent if not paid by May 1,

2020), the third installment shall be due on July 1, 2020 (and delinquent if not paid by August 1, 2020) and the fourth installment shall be due on October 1, 2020 (and delinquent if not paid by November 1, 2020).

The board will provide an update to homeowners later this Spring as to where the Association stands with respect to property damage insurance coverage after May 15, 2020.

The board reminds homeowners that each unit owner is responsible for procuring its own insurance for damage which may occur to its unit "from the walls in," including coverage with respect to personal property. Homeowners should consider examining this issue with their own insurance advisors as they procure insurance with respect to their units.