



**UPDATING OUR COVENANTS**

# BRINGING QUILLEN'S POINT INTO THE 21ST CENTURY

Complying with new Delaware law  
Giving owners more voice  
Protecting our property investments



# WHY ARE WE DOING THIS?

- **Board appointed committee in 2021:**  
James Rich, Ann Mellish, John Szczur,  
David Green, Ralph Begleiter
- **Started working on By-laws**
- **Recent changes in state law**
- **Realized we need to work first  
on Covenants**





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# UPDATING OUR COVENANTS

- Essentially unchanged in over 40 years
- Legal advice says...  
we don't have a choice
- And yes... that includes updating our financial planning...  
... and how we calculate and approve our assessments





## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- The law says...
  - QPHA and your elected Board are required to exercise “**fiduciary duty**”...
  - ... to “maintain, repair and replace...”
  - ... common areas and services
  - That includes: **setting aside the money needed** to do it.





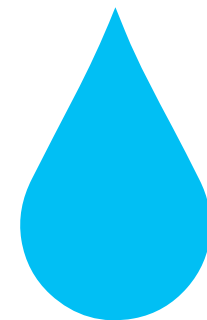
## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- At QP, our “common” areas and services include

- **Water system**

**OUR MOST  
IMPORTANT  
ASSET**



- Roads

- Marina

- Tennis court



Quillen’s Point owns, operates and pays for our own water system.  
There is no “city water.”



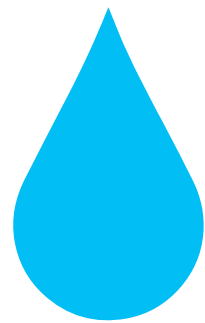
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## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- Our consultant lawyer has advised that...
- Exercising “**Fiduciary duty**” means...
  - we must free our community from our \$400 cap on assessments...
  - ... unchanged since 1981



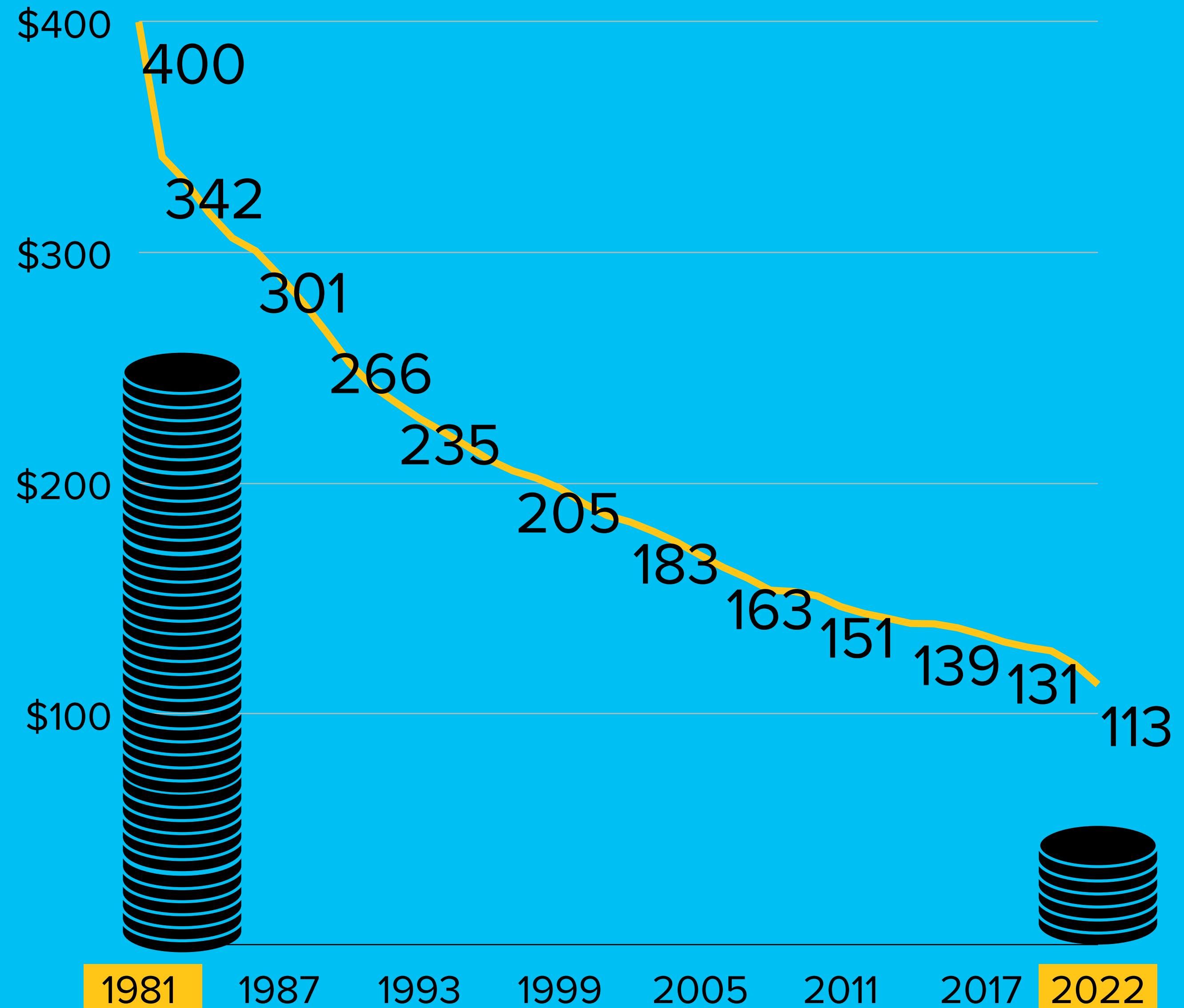


## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

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- Exercising **“Fiduciary duty”** means...
  - we must free our community from our \$400 cap on assessments...
  - ... unchanged since 1981
  - \$400 in 1981 is worth \$113 today

## Buying power of \$400 1981 - 2022



US gov't Consumer Price Index data



# Wait A Minute!

## Don't We Already Pay More Than \$400 Every Year ?!?!?

**Yes!**

**For many years, QPHA has been forced to deal “creatively” with the Covenants limit of \$400...**

**Because it just wasn't possible to safely run even just the water system otherwise.**



**IT'S TIME TO STOP PRETENDING...  
AND GET IN COMPLIANCE WITH THE LAW.**



## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- **Maintaining** these assets requires...
  - ... knowing what they will cost to repair/replace
  - ... and **having the money on hand** to do it.

QUILLEN'S POINT MARINA





## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- **Maintaining** these assets requires...
  - ... knowing what they will cost to repair/replace
  - ... and **having the money on hand** to do it.

♪ “Que sera, sera...  
Whatever will be, will be...”



“We can play this by ear...”

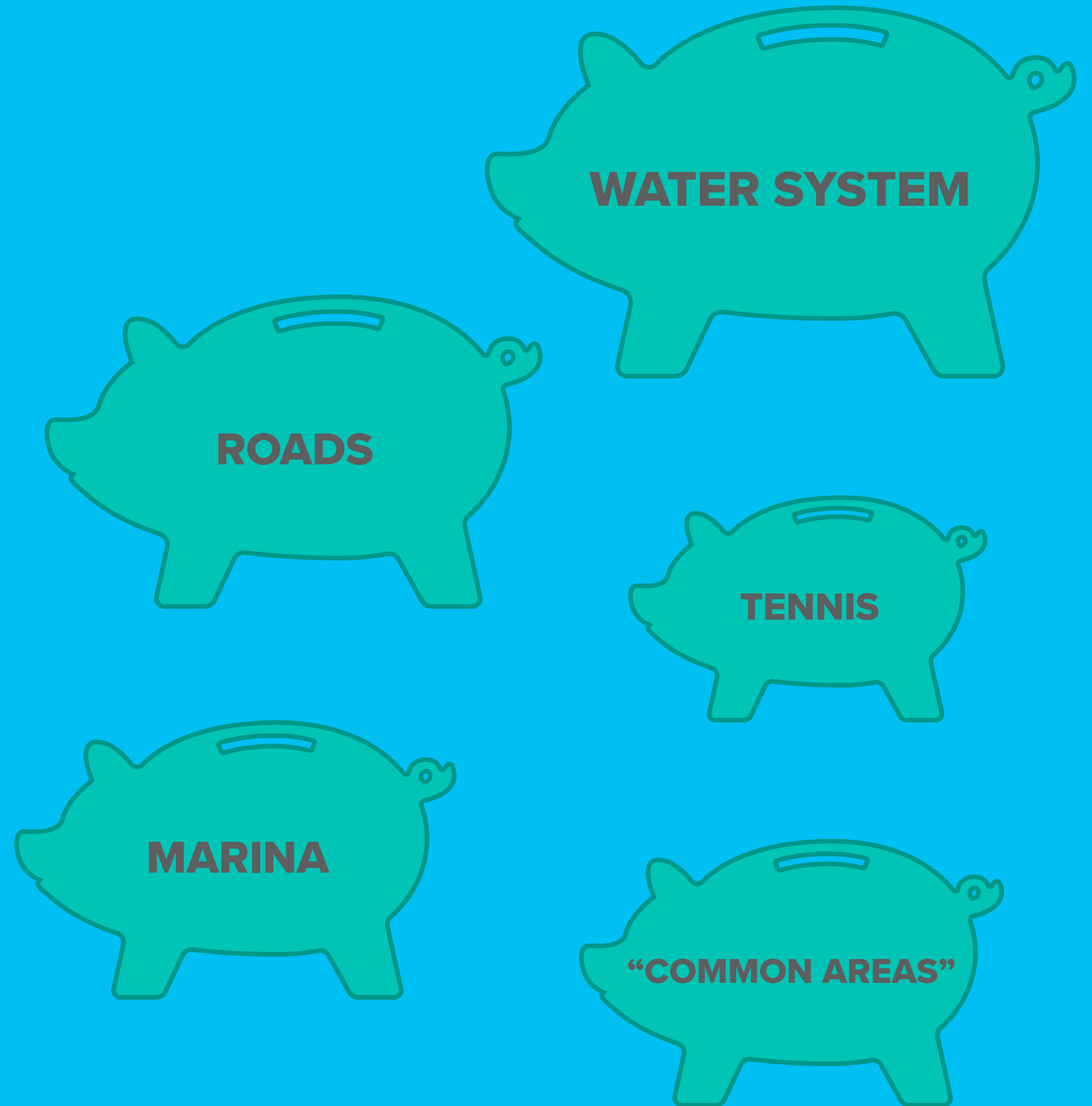
“Yeah... I’m not thinking  
about tomorrow.”



## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- Knowing what they cost requires a “reserve study”
  - A common procedure recognized and authorized by Delaware law...
  - ... and **practiced by most** “common interest communities” like ours

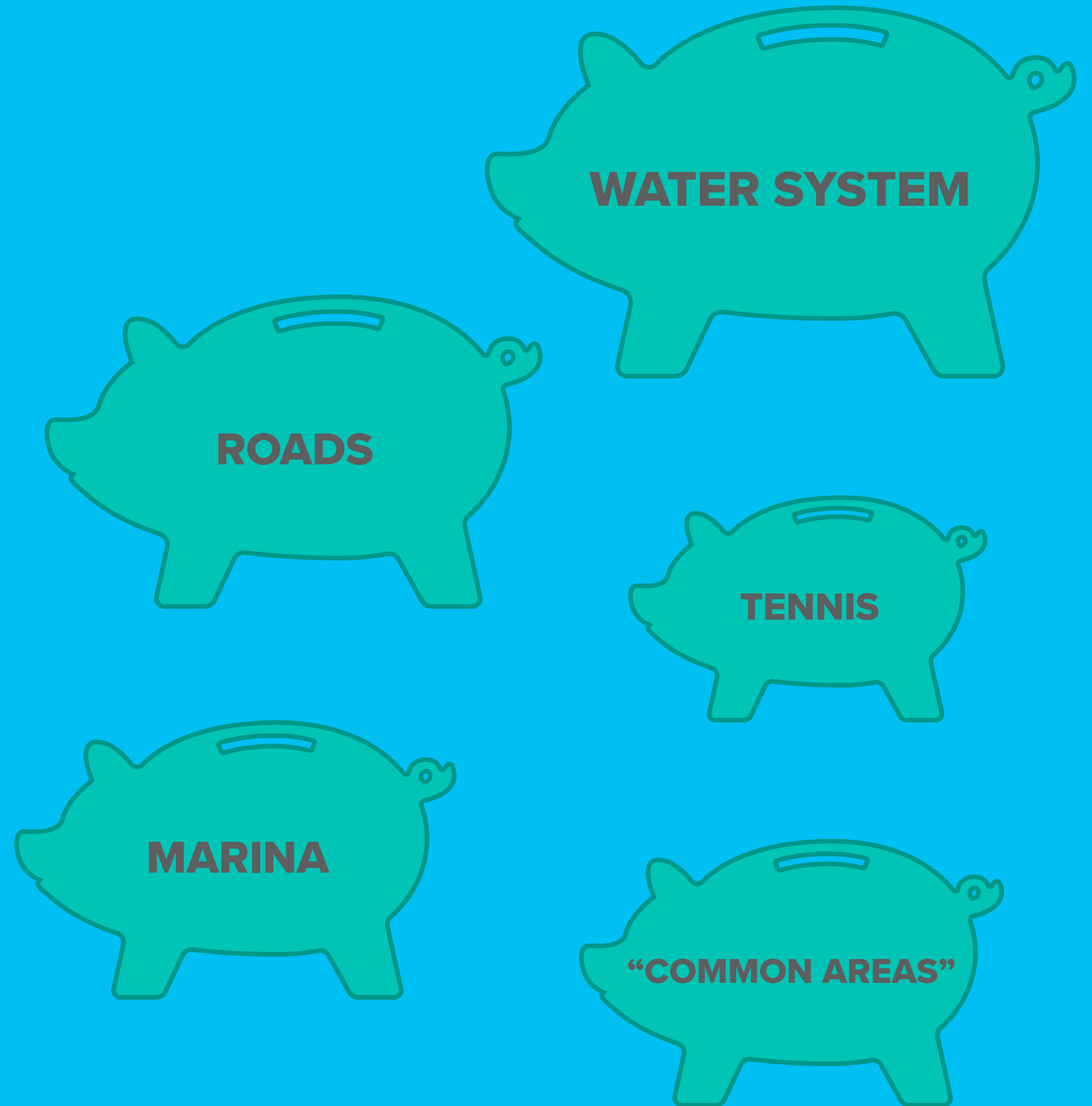




## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- With a reserve study...
  - every few years...
  - QPHA Boards will be equipped to set **realistic annual assessments**...
- ... approved (or rejected) by the community with an annual budget ratification vote





## DELAWARE LAW COMPLIANCE

# “FIDUCIARY DUTY”

- Reserves are not required by law
- But if the Board does propose a reserve, then the law says they must be specified in the budget...
- A “line item” is required for reserves in the budget





## NEW LAW REQUIREMENT

# ANNUAL BUDGET VOTE

- Here's how it would work:
  - Annually, the board proposes a budget
  - Budget includes **annual assessments**
  - and all expenses needed to comply with the state law requirement to...  
**“maintain, repair and replace”** QP's common areas





## NEW LAW REQUIREMENT

# ANNUAL BUDGET VOTE

- The law gives owners the power to reject the proposed budget annually...
  - ... with 51% of the votes (at QP, that's 50 lots)
- If the budget is not rejected, it automatically takes effect
- For the first time ever... owners will have the power to reject a budget





## NEW LAW REQUIREMENT

# ANNUAL BUDGET VOTE

- Community reviews budget (the law requires the owners have ample time to review)
- Community votes on budget
- The law says **NO** separate vote is required on assessments.
- The budget vote is the vote.





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Changes QPHA is considering will...

- ✓ comply with the law
- ✓ give you the power to reject annual spending
- ✓ allow your Board to “maintain, repair and replace” your community assets

The community must review, then...  
vote to approve these changes in the Covenants





An aerial photograph of a residential community, likely Quillen's Point, featuring numerous waterfront homes with docks and boats. The houses are mostly multi-story with light-colored siding and dark roofs. The water is a deep blue, and the sky is a clear, light blue with some light clouds. The overall scene is bright and sunny.

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