



Sandyport Homeowners Association Ltd.

Tuesday, May 3, 2016

To: All Shareholders of Sandyport Homeowners Association  
Sandyport  
Nassau, Bahamas

Dear Shareholder

At the Association's most recent Annual General Meeting, the Members discussed raising extra funding. As a result of that discussion we circulated an opinion poll with a view to issuing a special assessment if the majority of Members approved.

We are writing to address some concerns and provide you with more information about the proposed special assessment.

First, let me assert that we do not need to raise funds. We have enough cash and our improvements budget covers the cost of any immediate critical improvements.

#### **SO, WHY THE TALK OF A SPECIAL ASSESSMENT?**

Over the years our maintenance assessment covered the cost of maintaining the property. Since we took over the management of the Association, we created surplus funds to invest in improvements. We did this without increasing the maintenance fees.

As inflation and new features increase the costs of running the community, the improvements budget shrinks. It is only a matter of time before the improvement budget does not exist if we do not address it.

The improvements budget for 2016 is \$150,000, about the cost of a mid-sized project. To put that in perspective, the new Eastern wall extension and Roberts Isle project cost \$112,000 \$240,000 respectively.

Our Annual Report details the various improvements in the pipeline. How soon we execute them is a function of the available budget.

The Directors believe that currently the most important improvement is the building of a wall inside the groin of the canal inlet. The cost is about \$200,000 including dredging upon completion of the project. The benefit will be subtle but we expect the amount of sand that enters the channel to reduce a great deal. In turn this will reduce our dependency on dredging which has an annual budget of \$75,000. We also expect to reduce the amount of time that the channel is impassible due to infiltration and dredging.



## **THE IMPROVEMENTS TO THE CANAL INLET DO NOT NEED SPECIAL FUNDING.**

Based on our budget, we should defer further improvements if we complete the canal inlet or any other project of similar value. We can wait if that is the desire of the majority. But we should be mindful that the demand for known improvements exceeds \$1,000,000 whilst the budget for them erodes each year.

As the community ages and we elect improvements to enhance its appeal, so the value of demand for improvements increases. So there are competing forces; the improvements budget erodes a little each year whilst the demand on it increases.

We discussed this at the Annual General Meeting and the consensus was that nobody wanted increased maintenance fees. Of course not, Directors included. Some argued that the growth in fees from new homes increases revenue thus making an increase unnecessary. But the growth hardly exceeds inflationary factors. Then we have the added cost of providing services for the new homes.

The proposed special assessment will allow the Association to increase the improvements budget. In so doing it provides the flexibility to carry out further improvements this year. The canal inlet being our highest priority for improvement.

## **WHAT ABOUT THE CASH BALANCE?**

At the start of each year the Association has a higher cash balance due to those accounts that pay yearly. But those funds must last to the year end. As we enter the fourth quarter, our cash levels drop to about 6 weeks worth of expenses. So we cannot and should not base the decision around the cash reserves, we have allocated them.

Whilst we do not want to burden owners with any increases, our expenses and demands will continue to increase. And we must keep our revenues in line with those expenses and demands. To a point certain improvements are elective. But we would like to continue with a steady program of improvements to enhance our community and for that we need your support.

Finally, although the Directors can impose assessments as necessary, we want our Members to be part of the process. I hope that this goes some way to help you understand why we are considering raising extra funds and that you agree it makes sense.

Yours sincerely

Robert Sands

Chairman