

August 22, 2017

Dear Fellow Sand Dollar III Homeowners,

I hope this message finds you and your families well. For those of you I have not had the pleasure of meeting in person, my name is Joshua Herbstman and I am the current president of SD III's Board of Directors.

I wanted to take a moment to write you about some of the work we are doing here at our shared community...

I would like to invite you to visit our new website at: [www.sanddollarii.com](http://www.sanddollarii.com). The site contains information about our complex, governing documents, rules, and other information you and/or your guests and renters may find of use. There is an owners' portal, and the password is: crescentbeach (all lower case, one word).

We have had a busy summer here at SD III. Thanks to the hard work of Jim and Cody, our tennis court landscaping received a major renovation. Over 14 tons of dirt and deciduous material was replaced with low-maintenance landscaping, additional grass, and beautiful hibiscuses. There is a new court fence and we have approved a repair/resurfacing of the court area, a project which will take place in the coming weeks. Additional landscaping work was done on the eastside, and our two maintenance shops got a much-needed cleaning and reorganization.

Two popular changes to our property have also recently been completed: the addition of a grill/picnic area on the south end of the parking garage and the installation of a basketball goal on the tennis court. Both of these features have been well-received by our owners and guests, and my thanks go out to all who were involved in these projects.

For those of you who attended the last annual meeting, you are aware of our future budgetary problems in the years ahead. For those who were unable to attend, I would like to take a moment to talk about our reserve finances.

Based on our management company's recommendation, we should carry at least a minimum reserve fund balance of \$100k at all times- a number that is not very much considering the size and value of our building. Nonetheless, current projections of our future reserve spending show SD III going below \$100k in 2019, and being in the red for the years following. Even with delaying maintenance, successful under-budget projects, and Jim saving us tens of thousands through in-house work, we will not be able to avoid six-figure deficits. A glance at the reserve projections shows our shortfalls in the coming years:

Projected Reserve Balance (rounded)

FY 2019-2020: 83,000 (First year projected to go below \$100k min. target)

FY 2023-2024: (95,000)

FY 2027-2028: (173,000)

FY 2029-2030: (224,000)

Clearly such a scenario is untenable. Homeowners would not be able to sell or refinance units very easily if at all, as banks and other lending institutions require certain reserve levels for condominium associations they lend buyers into.

Our current board *will not wait* for the problem to come. We have decided to be proactive and tackle this situation head on. At our August board meeting, we unanimously approved a small special assessment in the form of a “13<sup>th</sup> Payment.” This option, suggested by Judy Alligood, has been an effective way that condo associations tackle funding challenges. By making one extra monthly payment, a payment that will have to be reauthorized every year by future boards, we can add \$25,920 per year to our reserve funds. Do this every year going forward and SD III should be completely in the black. Acorns, my fellow owners, for the winters surely to come.

I understand that there are those who may not prioritize planning for deficits 10+ years out. As a board, we have to consider the financial obligations of this building for both the short and long term. Our 35-year-old building needs continual maintenance. Our board has a fiduciary duty to make sure the funds are in place for these future expenses, and that owners who choose to sell or refinance their units do so with a building that has a healthy balance sheet.

*FYI: Building IV has an assessment north of \$18k per unit as I write this letter, and that does not even begin to give them a cushion for future projects. My hope is that with these continual 13<sup>th</sup> payments, we may never need to have another large special assessment again.*

In closing, I want to thank you for entrusting our board and myself with the responsibilities you have bestowed upon us. We have a great group of people helping to manage SD III, and I want to personally acknowledge the good work of Jim & Cody, Judy Alligood at Coastal Realty, and our board: Bob, Larry, John and Erney.

I hope to see you around SD III, and wish you and yours a wonderful Labor Day holiday.

Sincerely,

Joshua T. Herbstman  
President