



# Sand Dollar III Condominiums

Crescent Beach, Florida

May 18, 2020

Dear Fellow Homeowners,

We hope this letter finds you and your families well. These past few months have been very stressful for millions of Americans, and to those of you affected by the current pandemic, our thoughts are with you and your loved ones. However unfortunate the timing, SD III faces a **severe budget deficit**. And it's this challenge that we wish to address with you now. We have tried to anticipate likely questions and concerns and have answered as such below.

## SD III's Reserve Budget Shortfalls... The Projects Ahead and Their Costs

Between now and 2022, our community will need approximately \$800,000 for necessary building upgrades & repairs. We are nowhere near funded for this kind of expenditure. To break it down, in the next 24 months, we will be repairing and/or upgrading the following:

- I. Westside walkways concrete repair, est. cost \$500k, project starting in the fall of this year
- II. Silicone roof coating, estimated cost \$76k, project to be completed this year
- III. Elevator equipment upgrade, estimated cost \$130k, scheduled for 2021
- IV. Two separate beach boardwalk replacement projects with SD II / SD IV, each at \$30k+, TBD

All of the aforementioned items are critical elements to the safety and function of our building. These are not aesthetic upgrades just to make things look prettier. These projects must be done. That said, we simply don't have the money in our coffers to complete this list, let alone prepare us for future expenditures in the years ahead. When those future costs are added to the equation, we arrive at a minimum of \$1.30 million needed for our Reserves for the next decade. From now thru 2030, our Projected Reserve **Revenues** and **Expenditures** break down as follows:

### Reserve Account Income

Remaining Due on 5-year/\$5k per unit Assessment	\$222,000
10-Year (Projected) Reserve Funding from HOA fees	\$460,800
Current Reserve Balance (excluding \$10k Insurance deduct)	\$96,600

### Expenses

Westside Concrete Repairs (beginning 2020)	\$500,000
Silicone Roof Coating (2020)	\$76,000
Elevator Modernization (estimated for year 2021)	\$130,000
Replacement of Beach Boardwalks (2021 or 2022)	\$60,000+
Building Painting (estimated for year 2028 or 2029)	\$167,000
Elevator Generator (estimated for 2023 or 2024)	\$44,000
Eastside Balcony Coatings (2025 or 2026)	\$17,000
Pool Resurfacing (TBD)	\$20,000
Roadway Paving / Parking Garage Surface (TBD)	\$126,000
Additional Scheduled Reserve Expenditures	\$60,000
Estimated Interest on a Needed Bank Loan (Figuring a \$600k, 7-year Loan at 4.5%)	\$100,000

**\*Total Available Money** (minus Reserve Minimum of \$110K) **\$669,400**

**Total for Needed Expenditures** **\$1,300,000+**

\*When deducting a minimum Reserve Amount of \$110K, SD III will have a **Budget Shortfall of over \$630,000**. We can never "empty" our reserves completely as we need to keep a minimum at all times. This minimum is required by lending institutions, and if we fall below, selling and/or refinancing here at SD III may become difficult for owners. Furthermore, the Total Expenditures are based on both current and future cost estimates, the latter of which may increase over time when those projects actually begin.

For more information, please feel free to examine the Pooled Reserves Spreadsheet found at [www.SandDollarIII.com](http://www.SandDollarIII.com), the Owner Portal Password is: crescentbeach

### Why are the Reserves not there? What caused this Budget Problem?

Facing these massive shortfalls, it bears examining how our community got into this dilemma. And as we take stock of our current and future balance sheet, we wish to address some obvious concerns candidly.

Each Board, including our current one, balances the *needs* of current and future spending requirements with the *desire* to keep expenses low and costs down. There is no perfect calculus here, and previous Boards have approached this balancing in different ways. Our past Boards leaned more towards keeping costs down and HOA fees low. They did this with the best of intentions and no one should feel otherwise. And unlike other Sand Dollar buildings, we don't have a history of expensive homeowner assessments. Consider:

1. Sand Dollar IV assessed their owners \$18,000 in 2017
2. Sand Dollar I assessed their owners over \$20,000 in the mid-2000s

*Neither of these assessments ever replenished any Reserve Accounts in other SD Associations as they were only for repairs.* Our "2030 Plan" can leave us prepared going into the next decade.

Unlike many of life's financial dilemmas, our current one *was not caused* by mismanagement of our resources. It's not that we ever had this needed money in reserves in the first place, only to have squandered it away on employee bonuses, a rooftop bar, or heated outdoor jacuzzi. We simply did not squirrel away enough acorns during the easy years, and the bill (or rather bills) are now coming due.

We have done our best, given the funds we chose to spend, in maintaining our property. For decades, our LCAM Jim Haga has worked hard on keeping SD III in good shape, saving us tens of thousands in repairs and maintenance costs. With the addition of Cody Bivens as our full-time maintenance person, our building stands out compared to our neighbors. Take a tour of buildings I, II, and IV and see for yourself.

But however talented and dedicated Jim and Cody are, however committed this Board is to our community, however helpful Coastal Property Management may be, no one can churn butter with a toothpick. ***SD III needs money. Period.***

### What Should We Do Now? A Proposed "2030 SD Reserve Budget & Expenditure" Plan

Hindsight is a luxury we don't have. Foresight, however, is a different matter. This Board wishes to consider both the problems we face today as well as the long-term challenges ahead. We should permanently get from under the fiscal 8-ball. We should enact a plan to stay firmly ahead of our financial needs and never get into this situation again. By taking a bold albeit uncomfortable step now, we will protect our building, ensure (as best we can) our property's value, and give ourselves peace of mind when it comes to living at SD III.

Our proposal is to cancel our remaining 5-year/\$5,000 assessment, replacing it with a 10-year Reserve Budget Plan. At minimum, this Board will elect to enact a \$20,000 assessment per unit over the next ten years. We realize the gravity of this request, especially at this time.

If we elected not to spread out our funding needs over a 10-year horizon, the alternative will be our Board having to vote to:

1. Cancel our current 5-year assessment plan, **then**
2. Enact a 2020 assessment of \$11,000 to be paid by this fall, **and**
3. Enact a 2021 assessment \$6,000

Future Boards will subsequently have to negotiate the remaining deficits and repairs needed for years 2022 and beyond. *We are mindful that some owners have prepaid into our current plan, and those sums will be credited to you for any changes we enact.* There is no need to worry about this.

As your Board, we strongly favor a 10-year plan that responsibly tackles the needs of today and beyond while considering the years to come. Attached to this letter is a plan with three different assessment scenarios in mind. As a Board, we plan on enacting one of them. Our hope is that you and your families will carefully consider what we have outlined here, take some time to think about what is needed, and respectfully voice your opinions in the coming days and weeks.

The alternative to bold action now is, in our opinion, untenable for our community. How many more times must we have major budget crises? How many more desperate letters will future Boards have to draft? Is there a plausible scenario whereby deferring needed repairs and upgrades makes us stronger financially, makes our building safer or more enjoyable to live at? This building, however lovely the views are, is not a fine wine. Costs for materials and construction get more expensive over time. And even as we endeavor to properly maintain this building, repairing what we can and replacing when we must, ***Father Time and inflation*** both sit back and grin.

Delayed repairs don't get cheaper with passing years and neglect comes at a heavy price. That price is not acceptable to us as your Board of Directors.

Our community is at a crossroads with this building and our finances, and we need an engaged and informed ownership if we hope to achieve the best outcomes. Our next meeting is May 30<sup>th</sup> at 9am, and it will again be available to call-in. This Board will NOT be voting on any changes to our assessments in May, as we want to ensure enough time for every owner to digest what is being proposed. Come June though, we as a community must take action, one way or the other, as major repair work on our westside decks will be scheduled to begin in the Fall.

If you are unable to call into our Board meetings, please feel free contact our office by letter or email, and your written opinions will be presented to everyone.

We look forward to speaking to you soon and wish everyone a safe and healthy Summer.

Sincerely,

The Board of Directors of Sand Dollar III

Joshua Herbstman, *President*

Larry Ridley, *Treasurer*

Charlie Lane, *Secretary*

Bob Reed

Larry Taylor

# Sand Dollar III Proposed “2030 Reserve Budget Assessment” Options

## Option 1. 10-year/\$20,000 per unit Special Assessment

### 10-Year Reserve Account Income

Funds Raised with Option 1 (minus \$18k Prepaid)	<b>\$942,000</b>
10-Year (Projected) Reserve Funding from HOA fees	<b>\$460,800</b>
Current Reserve Balance (excluding our \$10k Insurance deduct)	<b>\$96,600</b>

### 10-Year Reserve Account Expenses

Westside Concrete Repairs (beginning 2020)	<b>\$500,000</b>
Silicone Roof Coating (2020)	<b>\$76,000</b>
Elevator Modernization (estimated for year 2021)	<b>\$130,000</b>
Replacement of Two Beach Boardwalks (2021 or 2022)	<b>\$60,000+</b>
Building Painting (estimated for year 2028 or 2029)	<b>\$167,000</b>
Elevator Generator (estimated for 2023 or 2024)	<b>\$44,000</b>
Eastside Balcony Coatings (2025 or 2026)	<b>\$17,000</b>
Pool Resurfacing (TBD)	<b>\$20,000</b>
Roadway Paving / Parking Garage Surface (TBD)	<b>\$126,000</b>
Additional Scheduled Reserve Expenditures	<b>\$60,000</b>
Estimated Interest on a Needed Bank Loan (Figuring a \$600k, 7-year Loan at 4.5%)	<b>\$100,000</b>

**Total Available Money** (excluding our \$10k Insurance deduct) **\$1,499,400**

**Total for Needed Expenditures** **\$1,300,000+**

**Projected Remaining Reserve Budget Balance in May 2030: \$199,400**

## Option 2. 10-year/\$22,000 per unit Special Assessment

### 10-Year Reserve Account Income

Funds Raised with Option 2 (minus \$18k Prepaid)	<b>\$1,038,000</b>
10-Year (Projected) Reserve Funding from HOA fees	<b>\$460,800</b>
Current Reserve Balance (excluding our \$10k Insurance deduct)	<b>\$96,600</b>

### 10-Year Reserve Account Expenses

Westside Concrete Repairs (beginning 2020)	<b>\$500,000</b>
Silicone Roof Coating (2020)	<b>\$76,000</b>
Elevator Modernization (estimated for year 2021)	<b>\$130,000</b>
Replacement of Two Beach Boardwalks (2021 or 2022)	<b>\$60,000+</b>
Building Painting (estimated for year 2028 or 2029)	<b>\$167,000</b>
Elevator Generator (estimated for 2023 or 2024)	<b>\$44,000</b>
Eastside Balcony Coatings (2025 or 2026)	<b>\$17,000</b>
Pool Resurfacing (TBD)	<b>\$20,000</b>
Roadway Paving / Parking Garage Surface (TBD)	<b>\$126,000</b>
Additional Scheduled Reserve Expenditures	<b>\$60,000</b>
Estimated Interest on a Needed Bank Loan (Figuring a \$600k, 7-year Loan at 4.5%)	<b>\$100,000</b>

**Total Available Money** (excluding our \$10k Insurance deduct) **\$1,595,400**

**Total for Needed Expenditures** **\$1,300,000+**

**Projected Remaining Reserve Budget Balance in May 2030: \$295,400**

## Option 3. 10-year/\$24,000 per unit Special Assessment

### 10-Year Reserve Account Income

Funds Raised with Option 3 (minus \$18k Prepaid)	<b>\$1,134,000</b>
10-Year (Projected) Reserve Funding from HOA fees	<b>\$460,800</b>
Current Reserve Balance (excluding our \$10k Insurance deduct)	<b>\$96,600</b>

### 10-Year Reserve Account Expenses

Westside Concrete Repairs (beginning 2020)	<b>\$500,000</b>
Silicone Roof Coating (2020)	<b>\$76,000</b>
Elevator Modernization (estimated for year 2021)	<b>\$130,000</b>
Replacement of Two Beach Boardwalks (2021 or 2022)	<b>\$60,000+</b>
Building Painting (estimated for year 2028 or 2029)	<b>\$167,000</b>
Elevator Generator (estimated for 2023 or 2024)	<b>\$44,000</b>
Eastside Balcony Coatings (2025 or 2026)	<b>\$17,000</b>
Pool Resurfacing (TBD)	<b>\$20,000</b>
Roadway Paving / Parking Garage Surface (TBD)	<b>\$126,000</b>
Additional Scheduled Reserve Expenditures	<b>\$60,000</b>
Estimated Interest on a Needed Bank Loan (Figuring a \$600k, 7-year Loan at 4.5%)	<b>\$100,000</b>

**Total Available Money** (excluding our \$10k Insurance deduct) **\$1,691,400**

**Total for Needed Expenditures** **\$1,300,000+**

**Projected Remaining Reserve Budget Balance in May 2030: \$391,400**