

Salt Pond Homeowners' Association

December 10, 2007

Dear Salt Pond property owners,

The Board of the Salt Pond Homeowner's Association (SPHA) and our Salt Pond property manager, Legum & Norman, wish you and your family Happy Holidays and a joyous, healthy, and prosperous New Year. With this letter, we are providing the 2008 Salt Pond budget and other information of interest to Salt Pond property owners. This 2008 Budget was prepared in joint sessions of the Salt Pond Committee Heads, the SPHA Finance Committee, and the SPHA Board.

Salt Pond 2008 Budget

Enclosed is the Salt Pond budget for the 2008 calendar year. The goal during the 2008 budget preparation was to control expenses, yet maintain the high quality of services and the Salt Pond community life style; absorb the additional costs associated with transfer of the common areas; and increase capital reserves to meet future improvement requirements. This goal was achieved with a 5% increase in fees for 2008. The chart below summarizes the fees for 2007 and the SPHA owner fees for 2008:

<input type="checkbox"/> Owner Fees	<u>2007</u>	<u>Projected 2008</u>
<input type="checkbox"/> <u>Homes</u>	\$847	\$889
<input type="checkbox"/> <u>Villages</u>	\$847	\$889
<input type="checkbox"/> <u>Lots</u>	\$424	\$445
<input type="checkbox"/> Trash Fees		
<input type="checkbox"/> <u>Homes</u>	\$145	\$149
<input type="checkbox"/> <u>Villages</u>	\$0	\$ 4 (See Note Below)
<input type="checkbox"/> Total Fees for 2008		
<input type="checkbox"/> <u>Homes</u>	\$992	\$1,038
<input type="checkbox"/> <u>Villages</u>	\$847	\$893
<input type="checkbox"/> <u>Lots</u>	\$424	\$445

NOTE: Please be advised that there is a separate trash charge for the trash collected and disposed of at the Community Center and common recreational area. In the past, this amount was not equally recovered from Village homeowners and was absorbed within other fees. This change distributes the costs accordingly and equally.

Highlights

The key points in the proposed 2008 budget are listed below. The detailed budget and reserve study are available at Legum & Norman for your review.

- Legal expenses are reduced by one-third from \$30,000 in 2007 to \$20,000 for 2008.
- A new Community lawn care and landscape contract resulted in a reduction of approximately \$20,000 for 2008 versus 2007.
- Funds for Ponds & Wetlands were increased from \$25,000 to \$46,000 for 2008 due to increased responsibilities assumed since the transfer of common areas.
- Funds for utilities were budgeted to increase by \$6,000 due to utility rate increases.
- Reserve contributions for 2008 and future repairs are budgeted at \$36,000. This is an increase from prior years' planning but is very necessary in light of our growing capital improvement needs.

Aside from expenses in the distant future, there are a number of repair and maintenance projects that were undertaken in 2007 and that will be undertaken in 2008. In 2007, replacement of the swimming pool fence, repairs to the outside of the Community Center, and the addition of a diffuser (to add oxygen) in the pond at Hole 10 were completed. Additional repairs to the Community Center, such as replacement of expansion joints around the pool, exterior painting of the Clubhouse and \$30,000 in road repairs are scheduled for 2008. We have worked hard to reduce expenses, where possible, in order to focus spending on areas necessary to maintaining our community property and our community values.

The total operating expenses are projected to increase from \$473,754 (year end estimate) in 2007 to \$487,071 in 2008. The biggest increases in this approved budget are for costs due to the transfer of the common areas to SPHA and maintenance of the Clubhouse and physical plant due to aging and repair needs. Additionally, there is an extreme need to ensure that we collect additional funds to continue the buildup of reserve contributions. After a thorough internal reserve study, the single biggest budgeting challenge for SPHA is to build reserves to meet future improvement costs – mainly in years 2011 and 2012. We have determined that we were under funded in the reserve budget - especially as it relates to the cost of road improvements.

Salt Pond Financial Statements

For additional financial information, owners may contact L&N and view the detailed financial statements at the L&N office in Bethany Beach. The 2007 year end financials will also be available in mid-January 2008 and will be posted on the SPHA web-site. Please call L&N (302-537-9499) in advance to arrange a convenient time to view these documents.

Salt Pond Board Meetings

Owners are welcome to attend the monthly Salt Pond Board meetings, which are usually held on the third Friday of the month at 2pm at the Salt Pond Community Center. If Board meetings are rescheduled, a notice will be posted in the Community Center mail room. If you wish to be on the agenda at a Board meeting, please contact Donna Hemphill at L&N in advance, provide the topic you wish to discuss, and any supporting written information you have.

Acknowledgments

We would like to point out the outstanding contributions of many members of our community in developing the 2008 Salt Pond budget. Thanks to the members of the Finance Committee who did a tremendous amount of research on homeowners association budgeting methodologies to guide this process: Chuck Gularson, Noel Tuck and Al DeFazio. The committee heads also did an excellent job at constructing their 2008 budgets so as to reduce expenses, while maintaining or increasing services. Their diligence and efforts have resulted in a budget for 2008 that we believe is realistic and manageable and begins to develop reserve funds for future capital needs.

Sincerely,

The Board of the Salt Pond Homeowners' Association

Enclosure: 2008 Salt Pond Budget Summary