



## **Submission from JHHA\* on CDAL 2023 draft Community Charge Budget Presentation – Thursday 8<sup>th</sup> December 2022**

\*Questions and views have been received from Jolly Harbour homeowners and have been collated by the JHHA.

Note - separate submissions to CDAL by Sara Ashford, Geoffrey Pidduck and Anthony McVeigh are deemed incorporated in this document by reference.

### **Introduction**

Whilst the JHHA welcomes the virtual meeting which has been arranged for Thursday 8<sup>th</sup> December to discuss the draft 2023 Community Charge Budget, we make a number of general observations as set out below in Section A of this document. Homeowners have submitted questions to the JHHA and have asked that these be raised on behalf of the Community. These are set out in Section B of this document.

We would request that as many of these questions as possible are answered at Thursday's meeting. **Any questions not addressed should be included in a detailed Q&A document which CDAL should publish within 7 days of the Budget presentation, and, in any event prior to the finalisation of the 2023 Community Charge Budget.**

### **Section A - General Observations**

The Budget presentation has been called at short notice and at a time inconvenient to property owners based in central Europe. A further presentation should be arranged for property owners unable to attend this virtual session. In addition, the proceedings should be recorded so that property owners unable to attend either session have the opportunity to follow the presentation.

In order for a meaningful review of the draft Budget to take place the actual figures for 2022 should be included for comparison purposes. If it is not possible to do this at this time, then a draft Budget 2023 versus actual 2022 with relevant commentary should be produced as soon as practicable and issued to the Community. **The 2023 Community Charge Budget should not be finalised without this.**

CDAL need to improve the functionality of the website. It is extremely difficult to download documents posted in the owners' portal and registering to attend the meeting will pose a significant challenge for many property owners.

We recommend that CDAL attach future presentations and other important documents to email communications rather than requiring property owners to log onto the website and

spend hours trying to download documentation. A link to register/join any virtual meeting should be embedded into email communications from CDAL concerning such meetings.

## **Section B – Community Questions**

### **1. Security**

1.1 Security costs are extremely high at USD 571K. How do we know that we are getting value for money?

1.2 What performance metrics are in place for the external security company?

1.3 Do the guards ever refuse entry to Jolly Harbour? There seems to be a very inconsistent approach in terms of how they deal with those coming into Jolly Harbour. There needs to be more careful management and oversight of the external security company.

1.4 What is the remit of the Security Guards?

1.5 When was the contract for the external security company last put out to tender? Shouldn't a tender exercise be carried out to ensure that we are getting value for money and the best security available?

1.6 What are the qualifications, role and responsibilities of the person operating the Harbour Patrol Boat? How would he deal with a robbery in progress?

1.7 Re the Harbour Patrol Boat, there doesn't seem to be a remit to control speeding – certainly, the Harbour Patrol man doesn't seem to be attempting to control that? - why not? Surely this is an important part of his remit

1.8 Who does the Harbour Patrol Boat operator report into?

### **2. Commercial Users of Community Assets**

2.1 Why is the Community Centre Charge of US\$111,111 not increasing in line with the increase to the Community Charge for homeowners? It should be going up by 20% to take account of inflation etc.

2.2 What specifically is the value of the cross charge between the Marina and the community for waste management and water?

2.3 What is the cross charge for contribution from the Marina on water security? If there is no cross charge why not?

2.4 Will the Community be processing the sewage for the soon to be re-opened Jolly Beach resort? If so why is there no income for this shown in the 2023 Budget. Will the Jolly Beach hotel be using any other Community Assets?

2.5 Has Jolly Beach nonuse of the Sewage Treatment plant affected the full revenue potential? Is there a CDAL A/R from Jolly Beach that could affect property owners?

2.6 Does the Commercial Centre charge include the beach bar and Al Portos? These operations also use Community Assets so should be contributing.

2.7 The car park at Sandra's beach bar should be closed or there should be a requirement for paid passes for the staff, tour operators etc. – to cover the utilisation of the Jolly Harbour infrastructure

2.8 What assurance do we have that Budget Marine, The Epicurean and the Casino are contributing their fair share to the running of Jolly Harbour and the use of JH's infrastructure?

### **3. Reduced Community Charge cost for Harbour Island units and others**

3.1 What specifically is in the contract for the Harbour Island units that prevents their fees from increasing vs what is included in the contracts for the rest of the community?

3.2 Stanhope Sheppard once owned a considerable number of these properties. These were sold to the Chinese. Has this matter been cleared up? Are the Chinese paying full CC for all apartments built? Are they paying full Community Charges on the undeveloped properties? Do they understand their responsibility to Develop? Has CDAL considered purchasing these back as per the Conditions in the Transfer Document? Or were these legal documents customized as well?

3.3 Can you confirm that the Stanhope Sheppard properties CC is being increased by 20% in common with other property owners paying the full CC (last year they seem to have paid \$75)? If it can be increased in this way, why can't they be made to pay the full CC?

3.4 The contract for some original home owners of stage one that they only pay a USD\$60 community fee, is it in perpetuity or is there a time limit e.g. 20 years?

3.5 Apartment Complexes such as Harbour Island Residences, Colibri Court, Sub-divided Villas of OPBM, etc. Are these all charged the full CC and on a per unit basis?

3.6 Previous Directors of La Perla and others, were beneficial Owners of property on the Island and at Reid's Point. Have these been transferred to them yet? Are they paying the full share? If not yet transferred to these beneficial owners, be aware that this act of bypassing the transfer taxes is illegal.

### **4. Collection of Outstanding Community Charge**

4.1 What progress has been made in collecting outstanding CC? Homeowners should not be presented with a significant increase in CC until outstanding CC has been collected.

4.2 Why don't CDAL cut off the utilities (water and electricity) of recalcitrant homeowners. This would result in a significant amount of outstanding CC being paid.

4.3 Is there no way to put a lien on the properties of those with outstanding CC or add it to their taxes? Homeowners who pay the CC should not be subsidising those who do not.

4.4 With so many villas looking abandoned, does that explain the accounts receivables over 90 days of \$6.973.978,33? Are these outstanding community charges as well as sinking fund charges? If yes, what will CDAL do to get paid?

4.5 The abandoned construction on Harbour Island is not a magnet for new investors as well as the numerous derelict looking villas on the north finger.

## **5. Bad Debt and Bad Debt Provision**

5.1 Why is there a bad debt provision made at 9.5% (US \$345037) when technically there should be no bad debt as collection can always be made when the property is sold

5.2 What is being done about bad debt? At virtually 10% this seems high. Are CDAL applying interest to that debt? (If possible)

## **6. Sinking Fund**

6.1 Why is the balance in the Sinking Fund only USD\$115K? – it should be higher as no expenditures have been authorised by the Community in recent years

6.2 If the Sinking Fund is being discontinued how will major infrastructure expenditure be funded? Will an infrastructure levy be introduced and if so, what is the estimated amount for this?

6.3 If the Sinking Fund is being incorporated into the CC charge will that element now be subject to ABST?

## **7. Development of vacant plots**

7.1 Some people who owned parcels, originally intended for from 5 to as many as 10 Villa units, and who have not developed for one reason or the other, are stagnating growth, of the divisor factor. What action is CDAL Taking to encourage the necessary development of these vacant plots?

7.2 Are all standard Villas, the Custom Homes and undeveloped plots on the Hillside North of the Q Block, included in the total number for assessment of CC?

## **8. Infrastructure Replacement**

8.1 Re the 2- year interest-free loan of USD\$1 075 412 – if the loan is interest free: how could it generate an expense?

8.2 If the USD\$1 075 412 is an instalment on the repayment of the loan - What is the principal of the loan and to whom is this amount repaid?

8.3 The infrastructure loan is only over 2 years. Normally infrastructure is amortised over a much longer period. The replacements will be in place before the new properties are built hence the existing homeowners are paying for the upgrades. Should an alternative long-term loan be sought, that way the new properties would make a contribution which might negate the interest charges.

## **9. Management Consultancy**

9.1 We note that the management consultancy fee of USD\$200K includes the CEO and the Operations Manager. We currently don't have these roles filled as the previous incumbents are now with the development side of the business. When do you anticipate having a replacement CEO and Operations Manager in place for the Community and, related to this, is it therefore appropriate for USD\$200K to be charged?

9.2 Where/how is the cost of the Planning Manager covered? Should that cost not be covered by the charges applied for planning applications and constructor work permits?

## **10. Development Levy**

10.1 Is a development levy being contemplated to help pay for the damage which will and is being caused to the Jolly Harbour roads as a result of the extremely heavy lorries and concrete mixers etc which are using them? If not, why not? (the strain on the roads will become much greater when the significant development work starts)

10.2 There is no budget revenue stipulated for development levy income – why not?

## **11. Future Development of Jolly Harbour**

11.1 Is the new development on Harbour Island contributing to the original development costs or are they taking advantage of our original expense of supplying infrastructure?

11.2 At what point will the properties forming part of the 'Gardens' complex begin paying CC and can you give an assurance that they and other new developments will pay the full CC? (no special arrangements)

11.3 How will you ensure that existing property owners are not going to be subsidising the new development projects within Jolly Harbour?

## **12. Rents**

12.1 How are the rents calculated? Have CDAL tried to let any of the commercial buildings, is the rent CDAL are charging based on what they can get locally, in the past they have used St Johns property as a comparison.

12.2 The offices and warehouse were constructed whilst Jolly Harbour was being constructed and are no longer required on an ongoing basis. Homeowners should not be paying for capacity no longer required. There is no justification for charging on a square footage basis. Either CDAL should rent the unused space out or they should absorb the cost.

12.3 Is the warehouse used to store building material for the new properties to be constructed by the Developer? If so, this should be reflected.

12.4 How is the rent for the Sports Centre calculated? Is it based on just the land value? How can CDAL charge rent for the pool AND ask homeowners to pay for the repairs from the Sinking Fund?

12.5 Does the Community really pay rent for the security huts? Is the security rent not related to the offices they occupy in the main CDAL offices their control room etc.?

### **13. Operational Expenses**

13.1 There is no total shown on operational expenses. When calculated the budget shows a surplus of US\$110k even after loan (expense vs cash flow) shown in full?

### **14. Legal Costs**

14.1 What are the legal costs? It is a very high cost for just the management of the existing residential community.

14.2 What court cases are still ongoing and what for?

### **15. Water expense**

15.1 There is an expense line for water which is believed to be the difference between the cost of purchasing water and the cost billed to either residents or the specially identified utility cost centres. How much of that is leaks and how much is utilised by the Commercial Centre? There appears to be meters for each security hut, so we assume there must be meters in the public restrooms in the Commercial Centre - but please confirm.

### **16. Utility Expenses**

16.1 'Electricity, property lighting (Study)' - can CDAL explain what this line in expenses relates to as it is a significant cost?

### **17. Solar Power**

17.1 'I Would imagine that APUA will have to raise their electricity costs in 2023. I fail to understand why CDHA won't allow owners to add PV and buy any unused capacity from them. Given the current electricity bill is \$141k and will increase this is something that strikes me as a no brainer. (On the basis the homeowner pays CDAL to replace their existing meter with an

import/export meter). CDAL could charge buy back rate that enables them to make a profit too.'

## **18. Software costs**

18.1 Software costs look high at 26k given that Microsoft 365 business Standard = \$150 USD per user per year, or premium is \$264 USD per user per year. So, enough software for either 178 or 101 people.

## **19. Office supplies cost**

19.1 Office supplies at \$20,163 also look high, these days with the exception of the paper that CDAL print receipts on, we would imagine it to be paperless, new pc's?

## **20. Electricity surcharge**

20.1 The 12% electricity surcharge to cover metering & management costs is not the correct way to do this. Especially given that electricity costs will increase this year - would suggest that this cost should be budgeted and fixed within the Utility expenses section. (As water) They could allow an additional contingency in the first year, if unable to establish costs.

## **21. Replacement of Sewage Plant**

21.1 Looking at maintenance, clearly replacing the Sewage plant infrastructure is a major project. Is there full visibility on this:

- a. Report from a consultant/expert advising what the problem is, old age possibly? with recommendations to solve?
- b. Will there be a consultant writing a renewal detailed specification?
- c. Will these works be tendered? Who to? Company of sufficient size, ongoing viability? Off island?
- d. Will these works be let as a contract (under seal) with 12-year liability?

## **22. Cost of Water Purification Plant**

22.1 Is the water purification plant financing itself from the water usage fees, or is a portion paid through the community fee?

## **23. Developer contribution for common areas usage**

23.1 Would not the Developer contribution for common areas usage, not be subject to inflationary increases?

## **24. Credit Card fees**

24.1 Why is there a line for credit card fees when homeowners are charged a fee when paying by card? Either the expense line should be eliminated or there should be a corresponding income.

24.2 Why charge a Credit Charge Commission fee when homeowners are already charged a fee of 3.5% for using their credit/debit cards?

24.3 We currently pay a credit card surcharge. This is not shown in the income stream, but a debit is shown for credit cards does this mean CDAL are dropping the credit card surcharge?

## **25. Division of Assets between the Developer and the Community**

25.1 What is actually still owned by CDAL - Golf course? Gym? Pool?

If these assets are owned by an external entity why are homeowners paying for them? Should they not be financed by the user fees?

25.2 How then is the relationship managed if CDAL is not owning the marina and the boatyard and...?

25.3 Is there a cost sharing agreement? If so, can this be published for transparency?

## **26. Missing Funds**

26.1 Is no one looking into pressing charges against the previous owners of CDAL? How does this just go away? Was escrow not set up?

## **27. General**

27.1 'Dr. Erhart promised one property one vote. How will CDAL help achieve this? May I respectfully suggest those property Owners, paid current on the Community Charges be granted a full Vote. Certainly these 48 Island plots need to be excluded and any that are still interpreting "The Current CC is EC\$185 as full" be excluded.'

JHHA Executive  
6<sup>th</sup> December 2022