

Key West Golf Club HOA – Cable TV Q & A Fact Sheet - April 2021

Who is Pritam Singh and why does he provide our cable TV? In 2004, the Golf Club HOA developer Pritam Singh was in exclusive control of the HOA. The Singh Company entered into a *Bulk Service Agreement* with Comcast, Inc. for a franchise to provide basic cable television services to all units in the Golf Club. Singh also amended the original 2001 agreement with the HOA to provide television services provided by Comcast. In 2012, Singh turned over the HOA to self-governance, but retained all cable rights to provide “basic” TV service as well as the parcel and cable hut where the Comcast facilities enter the community.

What are the terms of Singh’s agreement with the HOA and Comcast? Member fees are billed to the HOA and the HOA pays Singh each month. The agreement is in effect until January 31, 2024 and will renew automatically for (3) successive 10-year periods. Singh has the right to increase fees for “basic” service to the HOA provided that the monthly fee does not exceed the current fees being charged by Comcast of Florida, Inc. for similar cable television home service.

How much have we been paying Singh? Rates have gone up over time. Last year the monthly rate \$69.95 per home per month and is part of the fees you pay to the HOA each month. In addition, each owner selects and pays list price directly to Comcast for additional services such as High Definition, Digital Video Recorder, Internet, additional TVs, etc.

What is Singh’s new proposal? In early 2021 we received a proposal from Singh to purchase his Comcast bulk cable service agreement for \$3 million. If we do nothing, he has raised the HOA’s payment per month per home from \$69.95 to \$101.41. That is an increase of over \$31 per home per month, retroactive to January 1, 2021. Singh can raise the price because the current list price for basic cable is more than he has been charging us. The \$31 increase represents a budget hit of an additional \$145,000 per year and is well beyond our current budget. An immediate increase of at least \$30 to the monthly HOA fee would be required!

What is the proposed payment structure?

We have obtained quotes from five banks and the best option is Truist Bank (formerly BB&T) at 3.85% for 15 years. Singh has offered to provide a \$300,000 cash rebate until the Comcast agreement is up for renewal in early 2024. That amount will cover the loan payment as well as the monthly payment to Comcast for bulk basic cable service. The details on the right show that the HOA budget will not be impacted by cable costs through 2023.

Monthly Expenses & Credits	Per Home
\$3M Loan Payment @ 3.85%	\$56.32
Comcast bulk cable payment	\$31.61
Total loan and Comcast payment	\$87.93
Less current cable budget	\$71.00
Amount over budget	\$16.93
Less \$300K Singh rebate	\$25.64
Budget Impact with rebate	(\$8.71)

Who owns the cable? The Comcast bulk agreement with Singh states that Comcast owns and maintains the physical cable plant. The HOA would purchase the Comcast bulk agreement from Singh, and we would assume all rights under the agreement including a small amount of real property on which certain cable equipment is colocated.

When does the \$3 million loan payment start? A 2/3 majority approval (260 yes votes) of our members is required for the Board to go forward with an agreement with Singh and to execute a loan

for \$3 million. Assuming we have member approval, the loan payments would start around mid-June of this year.

SUMMARY

Financial Benefits

- Relief from Singh Cable's January 1, 2021 increase to \$101 per home per month, which represents a 44% increase over last year. If we decide not to buy Singh out of the Comcast contract, we will be forced to increase our monthly assessment by whatever amount is necessary because the 2021 budget was prepared before we had knowledge of the odious increase he would impose on Jan 1. This is typical of Singh, an increase without warning.
- If we move ahead and make the purchase to take control of the Comcast contract from Singh there will be no need for the mid-year increase to our current assessment. In addition, we will be in control of future increases since we will be able to negotiate directly with Comcast, as well as other providers and pass along the "bulk price" saving to our homeowners. Singh has refused that access every time we have asked for details direct from Comcast.
- As part of the purchase agreement, we will cease all legal action and legal fees tied to the Singh lawsuit.
- The \$300,000 rebate we will receive from Singh will offset the cost of cable and the note repayment for 30 months. In addition, we estimate there will be a \$102,000 excess at the end of the 30-month period (which represents $\$8.71 \times 390 \text{ homes} \times 30 \text{ months}$) that we can earmark and use to offset future telecom related expenses.

Technical Benefits

- If we acquire the Comcast bulk agreement, we will have the ability in early 2024 to take control of our future telecommunication needs. Technology upgrades or replacement of our current cable network could include high speed fiber or hybrid fiber technology. In addition, we can create a competitive situation by bringing in multiple suppliers when it is time to renew the agreement. Several Singh developments have accomplished what we are proposing. They are providing their members with up-to-date date technology and additional services at bulk prices. We have an opportunity to do the same!
- Most of our members are now purchasing additional services directly from Comcast at list price. We currently pay Comcast list prices for those services such as Internet, DVR (video recorder), HD (high definition), Wi-Fi, additional TVs, etc. In the future, those services could be included in a bulk agreement, saving us significant amounts over time, and providing higher speed services.

The HOA Board has carefully evaluated this major decision and has determined that purchasing Singh's Comcast bulk agreement is in the best long-term interest of the association as it allows us to take control of our telecommunication needs, both now and in the future. The purchase removes Singh's dominance and uncertainty about future rate hikes and puts the HOA in control. Other Singh developments in the Keys have arrived at the same conclusion.

Voting will begin as soon as possible. Your HOA Board strongly recommends a YES vote. If you are undecided or have questions, a Zoom info session will be held at 6:15 PM EDT on May 3, and again at 6:15 PM EDT on May 10. Please watch your email for these meeting notices.