The Landings Association

Annual Assessment Proposal

2006-2008
Dear Landings Association Member,

The three-year-assessment vote is extremely important for the future of our community. It is about security, safety, road repair, mowing, street sweeping, maintaining grounds, facilities, and lagoons, and protecting other very practical benefits we all enjoy as residents of The Landings. These things must be done properly for The Landings to remain competitive with other planned communities and for our homes to retain value.

The assessment is not about subsidizing the marinas. It is not about subsidizing the Landings Real Estate Company. It is not about expenses of the golf courses and other services provided by The Landings Club, which is a separate entity.

The Landings staff and two committees of residents have worked diligently to prepare a long-range financial plan. The Public Works Committee developed a capital asset replacement schedule for $40 million of assets. The staff prepared a budget for certain improved services that residents requested in the survey and in various meetings. The Finance Committee carefully considered the costs for implementing the capital and service programs. Then the Board of Directors unanimously approved the 2006-2008 recommended assessment.

You are asked to approve an average assessment of $1258 per lot for 2006-2008. The increase is 82 cents per day, bringing the daily cost per lot to $3.45. Your Association works hard to use the funds efficiently to provide many services and to maintain assets. It is interesting to note that the assessment in 1997 was $760 per lot. The increase from $760 to $1258 over 10 years averages 5.0% per year. Given the rates of inflation and the aging of The Landings Association’s facilities, you are asked to approve a most reasonable assessment for the next three years.

Please vote ‘yes’ when you return your assessment ballot.

Sincerely yours,

The Landings Association Board of Directors:
Mary Vernick, President
John Duren, Secretary/Treasurer
Al Arcady
Ann Hanley
Jerry Grader, Vice President
Pam Allen
Bill Farmer
John Kilcullen
Kathy Siler

Dear Property Owner,

New residential developments are being built at an escalating rate to accommodate the leading edge of baby boomers who turn 60 next year. These communities are offering innovative amenities sought after by new buyers. The Landings will need to maintain its standard of excellence in order to entice those buyers. We believe that this assessment is essential to the future viability of The Landings and to your property values.

Jim Robinson
President/CEO, The Landings Company
The Landings Association’s services are provided in six general service areas.

- Public Works
- Public Safety / Security
- Community Development
- Community Relations
- Administration / Finance
- Marinas & Waterfront
## Services & Community

### Public Works
- Landscaping
- Street Sweeping
- Lagoons
- Storm Drains
- Streets, Trails, Bridges
- Tree Maintenance
- Fleet Maintenance
- Facility & Gate Maintenance
- Signs / Mailboxes
- Recreational Areas

### Community Development
- New Construction Plan Review
- Home Renovation Plan Review
- Lot Record Maintenance
- Property Construction Inspections
- Covenant Compliance & Inspections

### Community Relations
- Communications:
  - Print Media
  - Electronic Media
  - Cable Media
- Special Community Events
- Information Services Center
- Decal Processing
- Resident Services
- Governmental Affairs

### Administration
- Financial Management
- Human Resources
- Information Technology
- Risk Management
- Legal Support

### Marinas / Waterfront
- Landings Harbor
- Delegal Creek Marina
- Sunset Pavilion
- Captain’s Lounge
- Marina Store
- Marine Services
- Fishing Piers
- Wet Slips and Dry Storage Racks
- Sailing Program and Powerboat Rentals
- Boat Excursions

### Our Community Of 8,500 Residents Enjoys:

- 4,566 Total Acres (including 660 acres of common property land other than the lagoons – 574 in turf, 4 in athletic fields, 22 in gatehouses, and 60 in forested areas)
- 4,344 Lots
- 3,806 Homes Completed (as of June 2005)
- 151 Lagoons (totaling 269 acres)
- 313 Center Islands/Medians
- 90 Miles of Roads and 30 Miles of Trails/Cart Paths on common property
- 7 Gated Entrances (serving more than 10,000 vehicles each day)
- 2 Playgrounds
- 2 Deep Water Marinas, with 395 Boat Slips
- 2 Athletic Fields
- 1 Dog Park
- 1 Nature Trail
- 1 Native Plant Trail

### Provided By:

- 71 employees and hundreds of volunteers
- 27 vehicles (including heavy equipment and two boats)
- 11 buildings

*No TLA Assessment money goes to The Landings Club or The Landings Company. The Association, Club, and Company are completely separate entities.*
If you take a closer look around our community, you will see some of the challenges a 33-year-old development faces.

Here is a view leaving the Deer Creek north gate. It shows the deterioration from patches and stormwater runoff.

This photo shows one of the 22 street lights along the Main Gate entrance. You can see the amount of decay and rot in one of the wood poles. This is typical of the other poles.

Tidewater Square is uneven and potentially hazardous as a result of drainage problems.

We have very low-key signage to enhance our natural environment. While some of our signs are in great shape, an annual planned program of maintenance and replacement is necessary.

Here’s an early 2004 photo of the Main Gate with its old awnings. The awnings were replaced and the gatehouses were painted this year using insurance proceeds from the vehicle accident that destroyed the small gatehouse.

The proposed Annual Assessment Plan will address issues such as these so that our community does not fall further into disrepair.
This plan will protect and enhance the investments that have been made in our community over the past 33 years. It will keep us competitive with new residential developments around the country, as well as the 40,000 new homes being built in West Chatham over the next two decades.

Our goal is to enhance the beauty and strengthen the quality of our community in the most cost-effective manner possible.

To meet the challenges, the average increase in the Annual Assessment is $298 per lot over the next three years. The chart below shows how that additional money will be spent.

<table>
<thead>
<tr>
<th>Service Level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Service Levels</td>
<td>$92</td>
</tr>
<tr>
<td>Operations</td>
<td>30</td>
</tr>
<tr>
<td>Capital Spending</td>
<td>154</td>
</tr>
<tr>
<td>Capital Reserves</td>
<td>22</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$298</strong></td>
</tr>
</tbody>
</table>

**Improved Service Levels ($92/lot) and Operations ($30/lot)**

The Landings Association has solicited input from property owners on what service-level improvements are needed. Feedback has been through last year’s Community Survey, an Assessment Input Workshop in April, several Assessment Discussion Groups, e-mails, letters, and phone calls. The Association listened, and we heard you. The main improvements are detailed on the next page.

These Improved Service Levels represent areas from 2004’s Community Survey that had the highest levels of importance but the lowest levels of satisfaction.

Thirty dollars ($30) of the increase goes to basic operating costs.
**Where Additional Dollars Go**

**Improved Service Levels**

**LAGOON MAINTENANCE**
Perform more frequent treatment for algae and weed control

**TRAILS/CART PATH MAINTENANCE**
Provide better repair and improved maintenance for all Association trails/cart paths to lengthen their lifespan, and to improve safety, usability, and appearance

**STREET MAINTENANCE**
Improve road surfaces by increasing regular maintenance, such as patching, to extend useful life and safety

**ROAD STRIPING**
Stripe all roads within The Landings every other year through both contract and in-house means to improve safety and appearance, rather than wait nine years between restripings

**LANDSCAPING**
Increase the frequency of mowing, and improve lagoon trimming, bed delineation, and understory pruning to maintain the beauty of our community (This responds to key concerns from the Community Survey.)

**STREET SWEEPING**
Add contractual street sweeping service during peak leaf season to improve sweeping cycles, which will keep storm drains unclogged, prevent flooding, and provide an enhanced community appearance (Streets will be swept every 10 business days instead of 14, during peak leaf seasons.)

**SIGN/MAILBOX PAINTING**
Begin painting all mailboxes and street signs on a three-year cycle to improve visibility and enhance the beauty of the island (Currently, mailboxes and signs have no established schedule for maintenance.)
As major capital projects came due this year, The Landings Association learned two things: The level of asset deterioration was significantly greater than expected, and prices were substantially higher than original estimates. We needed to spend more than we had put aside, and learned that we must put aside more for the future. Therefore, capital spending requirements will increase over this 3-year Assessment period, as outlined below and detailed on the next page.

➤ Capital Spending ($154/lot)

➤ Security Live-Video Monitoring System (new)

➤ Oakridge Guest Entry System (new)

➤ Street Lights (replacements)

➤ Lagoon Structures (replacements)

➤ TLA Trail/Cart Bridges (repair/replacements)

➤ Automatic Gates (repair/replacements)

➤ Equipment (replacements)

➤ Street Resurfacing (increased)

➤ Trail/Cart Path Resurfacing (increased)
New capital spending includes a security live-video monitoring system that increases video-display capacity for real-time monitoring (up to 32 cameras) and dispatching of staff to incidents as they occur. New spending also includes a guest entry call box system at the Oakridge gate, and replacement of 22 deteriorated street lights at the main entrance.

In addition, 5 flood control lagoon structures, 4 of the 10 TLA trail/cart path bridges, 3 automatic gates, and the TLA Administration Building roof are coming due for major rehabilitation or replacement for the first time. Capital equipment (such as a street sweeper, chippers, a lagoon boat, the TLA phone system, etc.) is also scheduled for replacement.

Capital spending also includes annual street and trail/cart path resurfacing, funded at a higher level due to the increased costs of petroleum-based products, and an increased amount of resurfacing work scheduled over the next three years.

All of the above amounts to an increase of $154 per lot per year.

➤ Capital Reserves ($22/lot)

The proposal allows the Association to replenish reserves significantly reduced because of major capital investments required in 2005. It will also allow for gradual accumulation of capital reserves to an appropriate level. This way, the Association can plan for current and future expenditures, and reduce the need for a special capital assessment or borrowing when a major asset comes due for replacement.

With the Capital Asset Management Plan, the Association has created an extensive inventory of all assets. We have determined the appropriate strategy for these assets, such as improve, maintain, or shed. And we have created a specific timetable for replacements based on the estimated life of each asset.

Historically, the Association has held two-to-three years of average capital spending in reserve for replacing these assets. The current level of reserves had dipped to less than one year. The Board, Finance Committee, and Staff have determined capital reserves should be restored to their prior levels.

New annexation-fee revenue contributes substantially to this replenishment. Therefore, only $22 per lot of the Assessment will be contributed to capital reserve build-up each year.
# Proposed 2006-2008

TLA ANNUAL ASSESSMENTS (per lot)

<table>
<thead>
<tr>
<th>Actual</th>
<th>Proposed</th>
<th>3-Year Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2006</td>
<td>2007</td>
</tr>
<tr>
<td>$960</td>
<td>$1,225</td>
<td>$1,250</td>
</tr>
</tbody>
</table>

## Improved Service Levels
Including related personnel costs for common area property maintenance -- e.g., cart path repair, sign painting, road striping, street sweeping *(represents a $92 increase)*

<table>
<thead>
<tr>
<th>2005</th>
<th>2006-2008 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$92</td>
</tr>
</tbody>
</table>

## Operations
For existing day-to-day services, such as security, common area maintenance, communications, covenant inspections, and architectural reviews *(represents a $30 increase)*

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006-2008 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>831</td>
<td>861</td>
</tr>
</tbody>
</table>

## Major Capital Spending (from Reserves)
For street resurfacing, trail/cart path resurfacing, lagoon structure replacement, and heavy equipment replacement; projects greater than $40,000 *(represents a $140 increase)*

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006-2008 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>92</td>
<td>232</td>
</tr>
</tbody>
</table>

## Minor Capital Spending (from Operations)
For replacement of vehicles, maintenance equipment (e.g., chippers, aquatic spray tanks, lagoon boats), and computer network hardware and software; projects less than $40,000 *(represents a $14 increase)*

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006-2008 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>37</td>
<td>51</td>
</tr>
</tbody>
</table>

## Capital Reserves
To plan better for current and future expenditures and avoid the need for more borrowing or special assessments *(represents a $22 increase)*

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006-2008 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>22</td>
</tr>
</tbody>
</table>

## TOTAL

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006-2008 Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$960</td>
<td>$1,258</td>
</tr>
</tbody>
</table>

The average increase of $298 in the Assessment amounts to 82 cents/day per lot. The proposed average Annual Assessment of $1,258/year amounts to $3.45/day per lot.
## Average Budgets

### 2006-2008 Projected Annual Averages

#### Revenues
- Assessment Revenue: $5,538,000
- Non-Assessment Revenue:
  - Marina User Fees: 1,808,000
  - Gate Fees & Permit Fees: 1,435,000
  - Annexation Fees: 276,000
  - Interest: 142,000
- Sub-Total: 3,661,000
- Total: $9,199,000

#### Expenditures
- Public Works: $2,978,000
- Public Safety / Security: 1,066,000
- Community Development: 223,000
- Community Relations: 518,000
- Administration / Finance: 1,184,000
- Marinas & Waterfront: 1,531,000
- Capital Projects & Reserves: 1,699,000
- Total: $9,199,000
# Proposed Financial Plan

## Operating Funds

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$ 3,739,000</td>
<td>$ 4,157,000</td>
<td>$ 4,462,000</td>
<td>$ 4,640,000</td>
</tr>
<tr>
<td>Non-assessment revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marina User Fees</td>
<td>1,707,000</td>
<td>1,732,000</td>
<td>1,819,000</td>
<td>1,873,000</td>
</tr>
<tr>
<td>Gate Fees &amp; Permits</td>
<td>1,380,000</td>
<td>1,416,000</td>
<td>1,435,000</td>
<td>1,453,000</td>
</tr>
<tr>
<td>Interest</td>
<td>46,000</td>
<td>48,000</td>
<td>49,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>3,133,000</td>
<td>3,196,000</td>
<td>3,303,000</td>
<td>3,376,000</td>
</tr>
<tr>
<td>Total revenue</td>
<td>6,872,000</td>
<td>7,353,000</td>
<td>7,755,000</td>
<td>8,016,000</td>
</tr>
</tbody>
</table>

## Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Works</td>
<td>2,549,000</td>
<td>2,903,000</td>
<td>2,896,000</td>
<td>3,075,000</td>
</tr>
<tr>
<td>Public Safety / Security</td>
<td>987,000</td>
<td>1,019,000</td>
<td>1,065,000</td>
<td>1,113,000</td>
</tr>
<tr>
<td>Community Development</td>
<td>206,000</td>
<td>213,000</td>
<td>222,000</td>
<td>232,000</td>
</tr>
<tr>
<td>Community Relations</td>
<td>454,000</td>
<td>496,000</td>
<td>516,000</td>
<td>543,000</td>
</tr>
<tr>
<td>Administration / Finance</td>
<td>1,051,000</td>
<td>1,145,000</td>
<td>1,183,000</td>
<td>1,224,000</td>
</tr>
<tr>
<td>Marina &amp; Waterfront Operations</td>
<td>1,622,000</td>
<td>1,484,000</td>
<td>1,537,000</td>
<td>1,589,000</td>
</tr>
<tr>
<td>Total expenses</td>
<td>6,865,000</td>
<td>7,259,000</td>
<td>7,478,000</td>
<td>7,775,000</td>
</tr>
</tbody>
</table>

## Cash Flow Projections

### Source of Cash

- Revenues over Expenses: $3,000, $94,000, $94,000, $240,000
- Add Bank Non-Cash Item: Depreciation: $389,000, $458,000, $479,000, $494,000
- 2005 Bank Borrowing - Association: $860,000

Total: $1,252,000, $552,000, $768,000, $734,000

### Use of Cash

- Association Capital Purchases: $663,000, $373,000, $209,000, $69,000
- Marina Capital Purchases: $1,268,000, $22,000, $34,000, $10,000
- From Association to Capital Reserves: $46,000, $45,000, $45,000
- 2002 Bank Loan Repayment - Marina: $60,000, $60,000, $60,000
- 2005 Bank Loan Repayment - Association: $159,000, $168,000, $535,000

Total: $2,036,000, $659,000, $514,000, $739,000

### Net Change in Cash

Starting Unrestricted Cash & Investments: $1,725,000, $941,000, $834,000, $1,085,000
Ending Unrestricted Cash & Investments: $941,000, $834,000, $1,086,000, $1,081,000

### NOTE:

#### Schedule of Intra-Operation Transfers Association/ Marina Operations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Marinas</td>
<td>1,130,000</td>
<td>$ 1,130,000</td>
<td>$ 795,000</td>
</tr>
<tr>
<td>Investment Repayment by Marinas</td>
<td>$ 335,000</td>
<td>$ 320,000</td>
<td>$ 320,000</td>
</tr>
<tr>
<td>Ending Balance, December 31</td>
<td>$ 1,150,000</td>
<td>$ 795,000</td>
<td>$ 475,000</td>
</tr>
</tbody>
</table>

#### Schedule of Outstanding Bank Debt

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting Balance, January 1</td>
<td>$ 713,400</td>
<td>$ 1,513,400</td>
<td>$ 1,294,400</td>
</tr>
<tr>
<td>2005 Borrowing - Association</td>
<td>$ 860,000</td>
<td>$ 860,000</td>
<td>$ 60,000</td>
</tr>
<tr>
<td>2002 Bank Loan Repayment - Marina</td>
<td>$ 60,000</td>
<td>$ 60,000</td>
<td>$ 60,000</td>
</tr>
<tr>
<td>2005 Bank Loan Repayment - Association</td>
<td>$ 159,000</td>
<td>$ 166,000</td>
<td>$ 535,000</td>
</tr>
<tr>
<td>Ending Balance, December 31</td>
<td>$ 1,513,400</td>
<td>$ 1,294,400</td>
<td>$ 1,068,400</td>
</tr>
</tbody>
</table>
And Cash Flow Projections

### CAPITAL RESERVE FUNDS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$ 396,000</td>
<td>$ 1,199,000</td>
<td>$ 1,049,000</td>
<td>$ 1,107,000</td>
</tr>
<tr>
<td>Annexation Fees</td>
<td>745,000</td>
<td>490,000</td>
<td>303,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Interest</td>
<td>66,000</td>
<td>75,000</td>
<td>90,000</td>
<td>116,000</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>1,209,000</strong></td>
<td><strong>1,764,000</strong></td>
<td><strong>1,442,000</strong></td>
<td><strong>1,258,000</strong></td>
</tr>
</tbody>
</table>

| Capital Projects and Expenses   |               |               |               |               |
| Capital Improvements*           |               |               |               |               |
| Bridges/Structures/Equipment    | 12,000        | 262,000       | 110,000       | 187,000       |
| Trail/Cart Paths                | 175,000       | 225,000       | 175,000       | 175,000       |
| Lagoons Structures              | 110,000       | 77,000        | 77,000        | 76,000        |
| Roads                           | 310,000       | 386,000       | 398,000       | 375,000       |
| Entrance Rehabilitation         | 450,000       |               |               |               |
| Marina & Waterfront *           | -             | 173,000       | 37,000        |               |
| Income Taxes                    | 23,000        | 26,000        | 31,000        | 39,000        |
| **Total expenses**              | **1,080,000** | **1,451,000** | **836,000**   | **857,000**   |

| Cash Flow Projections           |               |               |               |               |
| Source of Cash                  |               |               |               |               |
| Revenues over Expenses          | 129,000       | 313,000       | 600,000       | 401,000       |
| From Association to Capital Reserves | 45,000   | 45,000        | 45,000        | 45,000        |
| **Subtotal**                    | **174,000**   | **358,000**   | **645,000**   | **446,000**   |
| Net Change in Cash              | 174,000       | 358,000       | 651,000       | 446,000       |
| Starting Restricted Cash & Investments | 1,710,000 | 1,884,000     | 2,242,000     | 2,893,000     |
| Ending Restricted Cash & Investments | $ 1,884,000 | $ 2,242,000 | $ 2,893,000 | $ 3,339,000 |

*Starting in 2006, the scope of the Capital Reserve Fund (e.g. trail/cart paths, roads, lagoon structures, bridges) will be expanded to include major capital assets which, prior to 2006, were purchased from Operating Funds.

The actual level of the assessment devoted to reserves each year will be determined as part of the annual budget process, to ensure the most tax-efficient use of the Association's finances. The numbers shown are the best current estimates.
Marina Plan Highlights

Marina Operating Plan
➢ Our Marinas generate an operating surplus.

➢ Boat repair and maintenance services were outsourced in 2004, providing a benefit both to boaters and to the Marinas’ budget.

➢ New management, through effective cost control, has increased operating efficiency of the Marinas, while also enhancing revenue and improving services.

Marina Capital Plan
➢ Our Marinas incurred large capital expenditures in 2005, mostly for the sea wall. This required an investment that will be repaid from marina operating funds over the next four years.

➢ After repaying the 2005 investment, excess cash flow generated by the Marinas will contribute to reserve funds for Marina capital assets.
Need more information?

Payment Options

In this plan, we have developed two payment options for residents besides the standard one-time payment by check:

1. Quarterly payments through automatic debit (for a $12/quarter processing fee, to cover the interest required by our Covenants)
2. Use of a credit card through our website (for a one-time $30 electronic processing fee)

To learn more about the 2006 – 2008 Annual Assessment Proposal, please review the following resources:

Town Hall Meetings – Two additional Town Hall Meetings will be held to present information related to the Annual Assessment Proposal and to answer questions, which can also be submitted in advance to the Association. Each meeting will be the same, so please pick whichever time fits your schedule. The following two sessions will be held at the Skidaway Island United Methodist Church’s sanctuary:

- September 29 - 4 p.m.
- October 10 - 7 p.m.

- Previous Landings Journals – Much information has been reported throughout the year regarding the Annual Assessment Proposal. To view past issues of The Landings Journal, go to the Association’s website (www.landings.org). Click on “Landings Journals” on the left-hand side of the screen. All previous Journals are posted online.
- White Papers, Q-and-A, etc. – Also posted on the Association’s website is a special section relating to the Assessment. Just click on “Documents” on the left-hand side of the screen, then click on “2006-2008 Annual Assessment” in the center of the screen.
- Attend an informal question-and-answer hour-long session before the regular TLA monthly Board Meeting. These two sessions will be held at 3 p.m. at the Association’s Administration Building (600 Landings Way South).

- September 27
- October 25

- E-mail questions to assessment@landings.org.
- Call the Assessment Hotline at 598-2520, ext. 903, to leave a question.
Your Vote Counts!

60% of Owners Must Vote
66.7% “YES” Votes Needed

Ballot Deadline: OCTOBER 27 at 5 p.m.

2006-2008