

January 7, 1986

SEA PINES FACILITIES MANAGEMENT BOARD

Brewster, MA 02631

To: All Homeowners, Phases I, II, III, & IV

Subject: Budget for 1986 and Method of Funding

Now that the holidays are pleasantly behind us, your Facilities Management Board would like you to have a complete rundown of the 1986 Budget and their reasoning behind their unanimous decision to increase fees even though we have successfully completed the litigation with CMJ as reported in my December 9, 1985 letter to you.

WHY AN ASSESSMENT?

Simply put, the cost to operate Sea Pines in 1986 should be around \$299,000 while the income from regular monthly maintenance fees generates only \$235,000 leaving a shortfall of approximately \$64,000.

Using good fiscal responsibility, as in the past, to fund our budget, this requires an additional assessment amount.

Regarding the recent cash settlement of \$250,000, it should be remembered that over \$62,000 went outright for legal fees.

Please bear in mind that budget decisions are made by your twelve Facilities Management Board representatives, who like yourselves, must pay for whatever it takes to fund our budget. During the months of working up a budget, your board members questioned such things as: (a) why don't we use the lawsuit proceeds to do away with special assessments (b) why don't we lower maintenance fees this year to celebrate our good fortune (c) why, if we couldn't afford reserve funds, other than savings against yearly budgets, in past years - should we start budgeting reserves now (d) why is our insurance going to cost more (e) why do we have to segregate our trash now and fence in an area to sort it as well as provide a dumpster for grass (f) why do we now have to add hospitalization benefits for our help (g) what has kicked up the lower end employee costs and benefits so much on the Cape when nationally inflation has eased (h) and many more similar questions you would have asked - if it had been your turn on the board to decide.

The bottom line is that after chopping out many items from the long shopping list brought to us as desirable expenditures, every single board member voted for this 1986 budget, for new reserves, maintenance fee increase and special assessments. If you had attended our open meetings or been serving on the board, you probably would have added your approval to these unanimous votes.

During 1985 we made significant savings in electricity thru more energy efficient light installations and in water usage thru gifts of sprinkler systems that are much appreciated additions to our operation. By savings in some large items and many small ones, we expect to see 1985 well under budget when our audit is completed. We pledge to continue to manage prudently but you should know that with only 3% unemployment it is increasingly difficult to get employees or sub-contractors to get the job done when we need it and at reasonable prices.

NOW FOR THE 1986 BUDGET AND METHOD OF FUNDING.
 In summary, the action taken unanimously at our Dec. 7, 1985 final budget meeting covering 1986 financial matters were:

a) approved an operating budget of \$237,050

b) approved additional expenditures - outside the regular budget but deemed essential - for special non-recurring items, discretionary items or increased service over 1985 of \$25,900.
 These items break down as follows:

-Tennis supplies	400	
-Tennis court & otherwalls rebuild	6,500	
-Drainage: Near 2F improve	1,000	
-Clubhouse sprinkler system	1,800	
-Pruning: Bluffs & Dunes (New)	600	
-Tree Removal - dangerous & dead	3,000	
-Courtyard: Finish stone job (2 clusters)	1,000	
-Courtyard: Re-landscape back Cluster 8	1,000	
-Enlarge parking lots	500	
-Beach house - additional storage	1,000	
-Chimney repairs	5,000	
-Fence - pool/rubbish area	1,000	
-Gutter repair	2,000	
-Clubhouse interior upgrade	500	
-Pool committee	300	
-Rescue Squad donation	300	
-Employee health benefits		- Added to insurance acct. in regular budget
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TOTAL	\$25,900	

c) approved Reserve amounts of \$36,000, of which \$23,000 is for future painting, \$5,000 for Equipment Reserve, and \$8,000 is for Capital Maintenance Reserve. Other reserve funds established are a General Reserve Fund from previous reserves and a Construction Deficiency Reserve from the net proceeds of the CMJ lawsuit settlement.

(Expense items a, b, & c budgeted at \$298,950 for 1986)

d) Projected Normal Income of	234,956
(less discount)	(1,715)
Special Assessments	68,137
Misc. Income/Interest	3,200
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Total 1986 Income	304,578

e) Voted to return interest on all reserve funds to those funds, rather than use for regular expenses.

f) Approved the following pay-as-you-go method for funding:

- Increase regular monthly maintenance fees by 5% effective January 1, 1986
- Levy one special assessment at 14.5% of the new 1986 rate payable March 1, 1986
- Levy a second special assessment at 14.5% of the new 1986 rate payable July 1, 1986

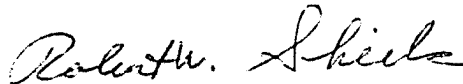
The full FMB Board would like you to know that attention was paid to your many suggestions of what to do with the settlement money. During the litigation of the suit, we have not made adequate reserves for long term expenditures such as roads, clubhouse, swimming pool, roof replacement, etc..

The Finance Committee has established a sub-committee to evaluate and recommend a reserve basis. At that time, the board can determine whether the association has adequate reserves, excesses, or deficiencies. The current reserves can then be accommodated in future budgets. Finally, after much deliberation, it was unanimously agreed that the wisest thing to do was to invest a good portion of it in order to generate more money for future use and counteract the diminishing effects of inflation. The recently formed Financial Committee has done this.

The full 1986 Approved Budget is enclosed for your information.

We apologize for our tardiness with this letter and hope you will allow us to blame it on the holidays.

For the Facilities Management Board:



Robert W. Sheils, Chairman
and President, Phase III

Charles Phillips, President, Phase II

Frank W. Pease, President, Phase I

Vera Fields, Clerk/Secretary
and President, Phase IV

Howard Morris, Chief Financial Officer