

JESUPS' LANDING HOMEOWNERS ASSOCIATION, INC.

2018 Proposed Budget - Letter of Explanation

October 2017

Re: 2018 Proposed Budget

Dear Fellow Homeowners,

You may have noticed that the 2018 Proposed Budget of the Association reflects an increase in our assessments for the upcoming budget year, which will begin effective January 1, 2018. Your Board of Directors would like to outline for you why we are proposing this increase, and why we believe it is the most fiscally prudent path to take.

Our budget is broken down into income and expenses. Our association's sole source of income is the assessments that each of us, as owners, pay. In the current year, this is projected to be approximately \$307,000, at \$450 per home per quarter.

Expenses are broken down into two types of expenses. The first are operating expenses, which are budgeted and paid for all in the same year. There are several subcategories of operating expenses: Administrative, landscaping, etc. We base our annual budgeted amounts in these areas on our actual expenses in the current and previous years, contracts, proposals, and anticipated projects. This accounts for approximately \$211,000 of the current year's budget, which ends December 31, 2017.

The second type of expenses are reserves for future costs. For example, we are pre-funding the future cost of replacing our roofs and repainting our homes. As you will see from the attachments, a variety of reserve funds indicate items that are the responsibility of the homeowners association, as spelled out in our governing documents. We are required to either fund these items in advance or pay with a special assessment if necessary. In the current year's budget this amounted to approximately \$97,000.

We recently completed an independent reserve study, which evaluated the state of our reserve funds and compared it to the expected future costs. It also helped us identify some items that will need future replacement and are the responsibility of the Association. This study found that the funding established by Mattamy Homes was insufficient for our future needs. In addition, some of these future expenses were not funded at all. Funding these reserves to an adequate level requires an annual increase to our reserve funding of \$56,541.35, which will be paid for by a combination of increased assessments and reductions to the HOA's budget.

Our board is taking a conservative approach to building our reserve funds. We propose to fund only what is necessary and required — but also to fully fund what is required. Our shared fiscal responsibility to the future financial health of this community demands that we begin to fund these reserves now. The longer we wait, the greater the challenge becomes.

We are aware that any increase in our assessments is an expense to all of us. Therefore, we have partially paid for the additional reserve funding by reducing our annual operating budget by approximately \$8,000. Please be aware that, regardless of this reduction in our operating budget, we continue to be committed to keeping our community beautiful. We are providing sufficient funding for landscaping and grounds maintenance in 2018, including plants and mulching. We recently completed mulching this year, as well as landscaping work, and we believe that Jesup's Landing looks better than ever.

We hope that you understand that these changes are for the betterment of our community now and well into the future. It will not only keep our community beautiful, but also help maintain the values of our homes. Our homes have continued to increase in value as the years go by and we intend to keep it that way.

You may notice several other small changes to the operating expenses. For example, the cost of our termite control is increasing. We recently changed to a new vendor, and although their pricing is lower over the lifetime of a multi-year contract, it represents a small increase now. In addition, we are continuing to provide funding the Social Committee, which helps make our community not just a place to live but a real neighborhood.

The proposed quarterly assessment for 2018 is \$520.50, an increase of \$70.50 per quarter over the current amount of \$450. This amount has not been increased since Jesup's Landing first opened in 2014, and as we now know, did not adequately fund our reserves. Continuing to act responsibly with all of our funds should allow the board to avoid or limit future increases.

We acknowledge that this increase is a considerable one. Please know that it was done after careful deliberation and with fiscal prudence in mind.

If you have any questions or comments regarding the budget, please contact Jessica Cox, CMCA of Leland Management at 386-310-2853 or jcox@lelandmanagement.com.

We hope to see you at the Budget Meeting of the Association scheduled for November 28, 2017 at 7:00 pm at the community clubhouse.

Sincerely,

Jesup's Landing Budget Committee, in cooperation with the Jesup's Landing Board of Directors