



Landfall Association Services & Landfall Owner Services

Historical Summary and Timeline

Historical Summary



In the fall of 1999 a decision by the Landfall Board of Directors was made to start providing Landscaping and Administrative Accounting services to the individual HOA Associations within Landfall. The intent was to offer these services at a below market price making very little profit. These services included the following:

Landscape Services:

- Mowing
- Edging
- Blowing
- Pruning
- Turf Program
 - Fertilization
 - Pre-Emerge
 - Fungicide
- Irrigation Testing
 - Common Areas
 - All Irrigation
- Pressure Washing
 - Common Areas
 - All Buildings, Walls, Driveways, etc.

Accounting Services:

- Annual Tax Preparation and Filing
- 1099 Preparation
- Collect Deposits
- Pay Bills
- Prepare Financial Statements
- Prepare Bank Reconciliation
- File Claim of Liens and Demand Letters on Delinquent Properties

Administrative Services:

- Annual Meeting Preparation
- Manage Proxies, Attend and Record Minutes of Annual Meetings
- Manage Association Mailings
- Document Services
- Notary Services upon Request
- Manage Election of Directors

Historical Summary



Any profit that was produced was contributed to the Capital Improvement Fund. One of the main reasons for establishing these services was to help control the upcharge that was being added to Landfall Residents' invoices from outside vendors, due to the high end reputation of its residents within Wilmington and surrounding areas.

Historical Summary



continued

Landfall Association Services (LAS) quickly became very popular within Landfall. The business grew substantially over its first five years. At that time the Board asked a few residents and Committee members to look into and review the LAS operation to determine accurate profits, losses and allocations of the business aside from the COA operations. After several in depth meetings with staff and review of the financials, some recommendations were made to the Board to increase pricing to ensure that all costs were being recovered and to eliminate the commission base compensation of the program's management.

Following implementation of the suggested changes to LAS, management determined the creation of an additional company called Landfall Owner Services (LOS) providing all residents within Landfall access to landscape and property maintenance services at a competitive rate, slightly below market prices. Once again, this program was a huge success. However, growing the business slowly was the intent so that quality was not lost.

Continue on next page...

Historical Summary



continued

In 2013 another review was requested by the Board and Finance Committee members regarding the labor and equipment expense allocations between the three companies of COA, LAS and LOS. Through the practice of tracking hours and equipment usage amongst the three companies, the COA Board and Management determined that consistent use of percentage allocations of all expenses was of the most value to the Landfall COA. These percentages would be evaluated and slight modifications made as needed each year with the budget preparation process.

In conclusion, the LAS and LOS programs have served the entire Landfall Community extremely well. Not only have these companies aided in controlling the cost of the entire landscape industry within our gates, but also provide services that not only keep our residents in their homes longer but are a pure convenience to everyone when they need some help around the house. These services provide value in marketing Landfall when selling real estate, as well as aid in increasing home values within the community. It's like living in a full service beautifully landscaped condominium complex, while enjoying the convenience and privacy of your own custom home and lot.

Historical Timeline

1999

June 23, the Official Landfall Council of Associations Board meeting minutes determined a motion passed to approve the continued planning and implementation of the Landfall Association Services project. This included a handout on LAS determining the following:

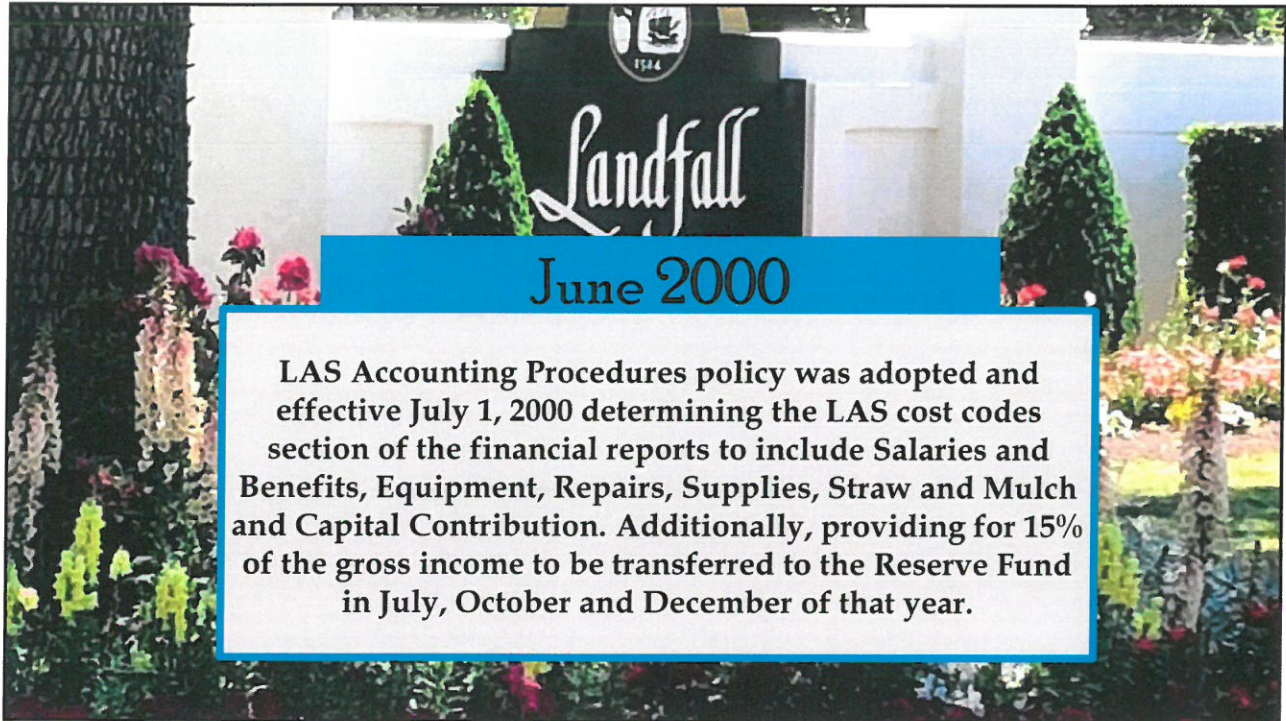
- **Mission:** Landfall Association Services is created to provide superior management, administration, accounting, financial reporting, and landscape services to the individual associations within Landfall at a reasonable price by using the existing infrastructure of our not-for-profit corporation.
- **Objective:** To offer a full range of services to associations belonging to the Council of Associations. These services will relieve most of the associations of cumbersome duties and improve the quality and quantity of services available to them at the same or less money than they are currently paying.
- **Benefits:** All homeowner associations exist for the benefit of the owners. This program should improve the level of services, reduce the out of pocket expenses and improve the quality of life for many of our residents. All excess income will be placed in the Council's Reserve Accounts.
- **Method of Implementation:** All qualified associations will be contacted. Quotes will be provided to all interested associations. Associations who choose to use our services will be required to sign a contract that provides specific data on services provided and charges. Additional services available will be quoted with price lists and hourly rates for services.
- **Timing:** Initial contacts will begin immediately, but actual services will not be available until January 1, 2000. Not all associations are on a January to December fiscal year so not all will be available to join up on that date. This is good since it gives the staff an opportunity to phase in interested associations.
- **Capital Investment:** Less than \$10,000 is required by using some of the under utilized equipment in our inventory. The \$10,000 is readily available from excess income generated by this year's lot mowing program.

Historical Timeline

1999

August 25, the Landfall Council of Associations adopted the LAS Budgeting and Reporting Procedures policy.

- **Budgeting Procedures:** Budget will reflect the current and contracted amounts known, as LAS Income for the coming year. Expected expenses that are anticipated will be reflected in the appropriate line item; i.e., salaries will be reflected under the appropriate heading, pine straw as mulch, chemicals, etc.
- **Reporting Procedures:** LAS Income will reflect the monthly income from all contracts and additional services provided to contracted and other parties (i.e. Landfall Associates). Expenses are reported in the appropriate line item. (See Job Costing)
- **Income to be included in LAS:** All income from LAS contracts to include additional services provided to contracted parties and other income contracted to Landfall Owners/Businesses that is outside the purview of maintaining the common elements and our basic mission.
- **Income not included in LAS:** Any segmented income from Landfall II unless it is a contracted service provided to a specific Association that is not considered as maintenance of the common elements of Landfall. For example, maintaining the common areas of Block 46 and providing management services.
- **Job Costing:** All labor and materials used on Landfall Services Accounts will be job cost to the Association or client at the time the service is provided. Computer readouts of all cost to any party to LAS services will be available monthly for review by the Chairman, Treasurer or any other Board member they may designate.
- **Reserve Contribution:** A contribution to Reserves will be made each month (beginning in February, 2000) that is equal to 10% of the gross monthly LAS income for the previous month. After the end of each year, an additional contribution will be made that equates to the previous year's excess income of LAS.
- **Compensation for Key Supervisory Employees:** Compensation for key supervisory employees will be paid monthly based on the previous month's LAS gross income. The employees covered by this arrangement are the General Manager and the Maintenance Manager. Specific percentages to be paid are designated in a written agreement arranged between the employee and the Chairman, Landfall Council of Associations. Negotiating this agreement for future employees is the responsibility of the Chairman.



June 2000

LAS Accounting Procedures policy was adopted and effective July 1, 2000 determining the LAS cost codes section of the financial reports to include Salaries and Benefits, Equipment, Repairs, Supplies, Straw and Mulch and Capital Contribution. Additionally, providing for 15% of the gross income to be transferred to the Reserve Fund in July, October and December of that year.

2004

March 25, the Board was evaluating the LAS program and compensation of its managers and a memo from Don Stallings, COA General Manager, reported the following status of the LAS program:

- *Current Status: Of the 17 Associations in Landfall that have individual responsibilities, 15 have some contractual relationship with LAS. The two that do not participate are The Mews and Turnberry. Eight of the 15 have us maintain their accounting as well as their landscaping and seven maintain their own books but have us provide their landscape maintenance. For 2003 the gross income was \$404,895 with direct cost of \$375,295 which included a \$45,000 contribution to the reserves. This means that \$29,600 was used to supplement the common elements.*

2006 ~ As the LAS business grew, the Board began to question the profit margins and expenses.

The LAS concept was created by Don Stallings, the General Manager (GM) at that time and Steve Hughes, Director of Maintenance (DM). The program was created to earn additional revenue for the COA, utilizing current resources for a slight profit. The GM and the DM were compensated with a commission based salary to incentivize growth of the program to every Association within Landfall.

The Board, Vice Chaired by Gary Purdum, began to question the use of LAS profits to augment the GM and DM salaries and wanted to fully evaluate the profit margins and allocation of the annual excess income.

At this time LAS income was determined to be Non-Assessment Income that paid certain associated expenses, including the compensation of key supervisory employees.

2006

- February 8, 2006, Gary Purdum presented a proposal regarding concerns with the LAS program. He requested a management review to ensure that all costs and revenues associated with the program were being accounted for properly and that the managerial separation between this division and the remainder of COA operations was clearly delineated. This resulted in more standardized contracts, additional administrative support staff, time based study of proper labor hours and equipment allocations, as well as elimination of commission based salaries.
- Don Stallings retired during this process and the Board determined a co-managing partnership with Steve Hughes managing the Maintenance division and Sandy Slocum managing the Administrative division of the COA. Mr. Hughes soon after began growing the sale of individual services to Landfall owners under Landfall Owner Services (LOS). It was the intent of the Board, at that time, that these individual services were of value to Landfall residents, but that the company growth be monitored closely so as not to lose quality service.

2006

- November 28, 2006, the Official Landfall Council of Associations Board meeting minutes including the following as a part of Dick Johnston's Treasurer's Report:

"The Board discussed the financial reports and requested separate reporting for Landfall Association Services and Landfall Owner Services."

Prior to this Board decision, the COA recognized Assessment Income and Non-Assessment Income, with LAS and LOS categorized together as Non-Assessment Income. Now the two companies would be reported separately.

Landfall Owner Services (LOS) in 2006:

- Lawn Maintenance
- Horticulture
- Lawn Replacement
- Power Washing
- Landscaping
- General Handyman Services
- Profit Target of 3%-5% Established
- Profit Placed in Unrestricted Reserves
- Additional Reserves will Need to be Earmarked for LAS/LOS Equipment Replacement



2010

- August 24, 2010, the Official Landfall Council of Associations Board meeting minutes determined unanimous approval of the LAS and LOS job costing procedures:

- *"The revised LAS and LOS job costing procedures reviewed and approved by the Finance Committee were distributed to the Board members."*

- The 2010 approved LAS and LOS Job Costing Procedure provided for percentage allocation of expenses between the three companies of COA, LAS and LOS. These percentages were adopted as a result of the 2006 evaluation.

2010

- The 2010 LAS/LOS Job Costing Procedures Included Percentage Allocations in the Following Areas of Operations:

- Payroll
- Payroll Taxes, Health Insurance and Workers Compensation
- Shop Supplies, Vehicle & Equipment R&M and Fuel
- Tools and Uniforms
- Other Expenses
 - Disposal
 - Direct Cost Basis for Job Specific Supplies
- Reserve Expenses

**2012-
2013**



- In 2012, The Board and Members of Finance Committee requested a full study be completed on allocation of hours and equipment between the three companies, COA, LAS and LOS. Following this study, on May 3, 2013, COA Chief Administrative Officer, Sandy Slocum prepared an LAS/LOS financial performance presentation that was provided to the COA Board. This presentation centered on the topic of proper allocation of hours being charged to LAS, LOS and the COA. This memo highlighted the fact that questions surrounding allocations were a topic of concern prior to 2008. The memo further discussed the history of attempts to allocate properly including formulas, percentages, input from supervisors and recommendations from auditors. Earney & Company, COA Auditor, recommended that the COA come up with an educated estimate as to where and for whom employees routinely work and stay consistent in recording purposes. The reasons for accurate allocations are to ensure that the rates charged for LAS and LOS did indeed result in a net profit to the COA. Accounting for the three companies was only separated to provide assurance that the rates charged are appropriate, and the operation of LAS and LOS is not being subsidized by COA assessments. The cost associated with the separation of the three companies completely including labor, materials, benefits, and accounting was not seen as beneficial based on the expense.

2013

- **This 2013 LAS/LOS Presentation included the following topics:**
 - LAS/LOS History
 - Function of COA Maintenance
 - Creation of LAS
 - Concerns about the LAS Program
 - LOS Individual Owner Services
 - Profit Target and Mission of LOS
 - Concerns about the LOS Program
 - LAS/LOS Growth Over Time
 - Future of LAS/LOS

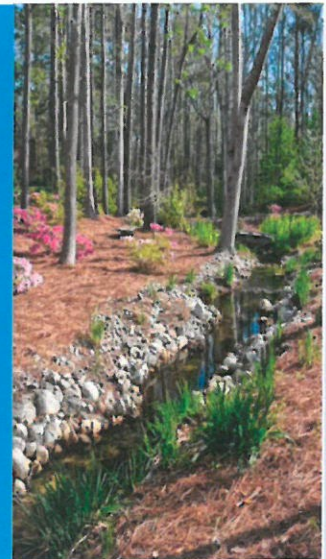
2013

The 2013 Presentation included the Future of LAS/LOS:

- LAS Workload and Revenue should Remain Constant
- LOS will Continue to Grow, but Slowly to Ensure Quality
- Reserves will be Earmarked for LAS/LOS Equipment Replacement
- Maintaining Quality in Every Service is Paramount

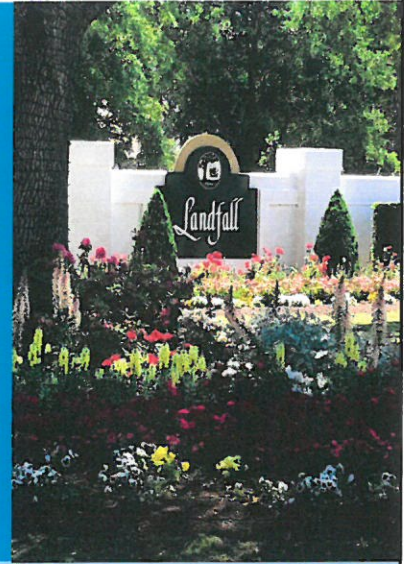
2021

Dick Rosenmeier, COA Board Treasurer, wrote an article for the Landfall Voice related to how the LAS and LOS programs have made substantial and meaningful contributions to the COA, offsetting dues through Capital Improvement Fund contributions.



2022

LCOA Auditor, Chuck Earney, provided a recommendation to LCOA Management regarding the excess income. This recommendation provided for allocating all of the excess income to the CIF restricted, but allowed for the earmarking of certain funds for specific planned projects. This allocation to the capitalization projects fund, even though restricted, would provide for flexibility in the ability for the Board to earmark and adjust earmarking for specific planned projects as things changed or evolved.



2022

- Jerry Van Schaick, Finance Committee Member wrote a letter on COA's vision for LAS & LOS to address some questions arising from the Finance Committee. This vision included the original intent of LAS & LOS as a service based enterprise, and included consideration of an evolved intent of becoming a profit based business. The original intent being to provide a service to Landfall's residents at a reasonable, slightly below market cost, with a mission to help residents wherever needed and charging minimally when appropriate. The profit based vision in consideration would eliminate services that are not seen as profitable therefore maximizing profits, as well as include precise allocation of labor, equipment and expenses between the three entities of COA, LAS and LOS. Whatever intent the Board deems more favorable moving forward should be properly documented for future use.