

Sea Pines Gate Fee History and New Gate Fee Agreement Summary

July 20, 2018

The information below is a description of the various assigned rights, CSA history and financial impacts of Sea Pines gate fee changes over the years.

The Sea Pines Gate Fee History:

Gate entry fees, by Sea Pines Gate Entry Policy, are levied to help defray increased costs incurred by property owners to provide services to casual visitors or paying customers, and residential owners or commercial entities located outside Sea Pines. These services include activities such as road maintenance, intra-plantation transportation, security, and administration, as well as other services provided by agreement and policy. Sea Pines gate fees now far outpace the growth of any other major revenue sources to CSA. Three entities have by court order, the right to implement a change to the gate fee in Sea Pines. Those entities include Community Services Associates (CSA), The Sea Pines Resort and The Shops at Sea Pines Center. All parties must agree to, in writing, before any changes or modifications in the daily gate fee can be made.

- For CSA, the right and authority to enforce the Sea Pines Gate Entry Policy is stated in the 1988 Covenants. CSA Board approves the Sea Pines Gates Entry Policy subject to prior written approval from The Sea Pines Resort and Sea Pines Center. CSA collects and receives funds from this source subject to all agreements.
- The Sea Pines Resort acquired this right as a part of the purchase of the Sea Pines Company, as a result of the bankruptcy. Their right is written into the Sea Pines Plantation Company Assignment of Rights from November of 1987.
- The Sea Pines Center acquired this right as a part of the purchase of the Sea Pines Center, as a result of the bankruptcy. Their right is written into the Sea Pines Center Assignment of Rights from August of 1987

Today with all combined increases to the gate fee, reaffirmed in this current agreement, total revenues to the infrastructure and operating funds of CSA from are \$1,529,848. To help better understand the progression of gate fee increase we have provided a history below by using our current 2018 historical revenue and last 12 months of expenses from June 30, 2017.

Sea Pines Gate Fee History:

The \$3 to \$5 daily visitor gate fee increase:

In 1989, CSA was established. In 1999, the first written agreement to increase the daily gate fee occurred between The Sea Pines Resort, Sea Pines Center representatives and the CSA Board of Directors. This was a \$2.00 increase from \$3.00 to \$5.00. This agreement and subsequent

agreements provided for CSA to fund and manage trolley operations and it also established a joint trolley marketing program lead by the commercial entities.

CSA Board Resolution: January 11, 1999

a. **Permanent Increase in the \$3.00 Gate Fee** - A proposed agreement for a permanent increase from the \$3 daily gate fee to \$5 was addressed. The agreement scheduled the increase to go into effect on February 15, 1999, for a five year period and to be evaluated at the end of four years. President Fraser stated the agreement as presented, was undergoing some clarification changes, but it basically covered the major points. The Commercial Committee would keep track of the \$2 fees accumulated in a separate account which were designated to be used to help solve commercial problems. Once the Commercial Committee agrees the commercial problems are solved, the funds from the \$2 increase will be placed in the Community Trust Fund. Discussion followed. A motion was made to approve the permanent gate pass fee to \$5 in accordance with the agreement attached. The motion was seconded and passed unanimously.

This \$5 daily entrance gate fee was renewed and extended by CSA Board resolution made on October 28, 2003, this amendment included the operation of a trolley and shuttle service, as well as funds of \$65,000 for marketing and associated activities.

CSA Board Resolution: October 28, 2003

“RESOLVED that the CSA Board approves the Memorandum of Agreement to renew the \$5 Gate Fee Agreement for an additional five (5) years.”

Revenue Source:

Rate Change	Increase Amount	Daily Gate Pass Volume	Revenue Sources
From \$3 to \$5	\$2.00	386,146 (Current 12 months through June 30, 2018)	\$2.00 X 386,146= \$772,292

Agreed to Uses:

Use	Yearly Cost
Trolley Marketing Fund	\$65,000 + (plus)
Commitment for continuation of Trolley Operations	\$322,666 (2017 actual; prior years have been more)
Total commitment for agreed to uses (support \$2.00 increase in daily visitor gate fee)	<u>\$387,666</u>

\$2.00 Increase from \$3 to \$5:

Revenue	\$772,292 - (less)
Less Agreed to Uses (Trolley operations + Trolley Marketing Fund Expense)	\$387,666
Revenues to the infrastructure and operating funds of CSA from \$2.00 Increase from \$3 to \$5:	<u>\$384,626</u>

The \$5 to \$6 daily visitor gate fee increase:

Effective April 1, 2014, an additional \$1.00 fee was added to the daily gate fee, raising this fee from \$5.00 to \$6.00. This increase occurred through an amendment to the Sea Pines Gate entry policy, was agreed to and signed by all parties, The Sea Pines Resort, The Sea Pines Center representatives and through a CSA Board Resolution. Additionally, the resolution below made on December 5th, 2013 by the CSA Board, provided that the daily gate fee rate could not be

increased before April 1, 2017.

“RESOLVED, the CSA Board approves the increase of the \$5 Gate daily pass to \$6, effective April 1, 2014. There would be no additional gate fee increases imposed for a minimum of three years beginning April 1, 2014, through March 31, 2017. The Gate Entry Committee will review daily pass rates in December 2016. The use of the \$1 increase would be allocated as follows:

- 60% to CSA Infrastructure Fund and the General Fund,
- 20% to Commercial use for Marketing and Trolley Lot Improvements,
- 20% to Dredging for indirect costs for Permitting, Monitoring, Inspections, Surveys, Project Management and Supervision

This \$1.00 increase accounted for \$.20 to fund additional marketing and it established a separate fund for \$.20 of the \$1.00 increase to be allocated to a fund and support the South Island Dredge Association (SIDA).

Rate Change	Increase Amount	Daily Gate Pass Volume	Revenue Sources
From \$5 to \$6	\$1.00	386,146 (Current 12 months through June 30, 2018)	\$1.00 X 386,146= \$386,146

Agreed to Uses	Yearly Cost
.20 cents per pass to support Trolley Marketing Fund	\$.20 x 386,146= \$77,229 + (plus)
.20 cents per pass to support South Island Dredge Association (SIDA)	\$.20 x 386,146= \$77,229
Total commitment for agreed to uses (Supports \$1.00 increase in daily visitor gate fee from \$5 to \$6)	<u>\$154,458</u>

\$1.00 Increase from \$5 to \$6:

Revenue	\$386,146
	- (less)
Less Agreed to Uses	\$154,458
Revenues to the infrastructure and operating funds of CSA from \$1.00 Increase from \$5 to \$6	<u>\$231,688</u>

Combined (\$3 to \$5 increase in daily pass rate) and (\$5 to \$6 increase in daily pass rate)

Total Revenue before expenses	\$1,158,438 (\$772,292+\$386,146)
	- (less)
Total Agreed to uses: (support \$1.00 and \$2.00 increase in daily visitor gate fee)	\$542,124
Revenues to the infrastructure and operating funds of CSA	<u>\$616,314</u>

The \$6 to \$10 “commercial” daily gate pass Increase:

In the fall of 2016, a task force of the Gate Entry Committee began an endeavor to come to an agreement with the necessary parties to increase the daily gate fee.

In March 2017, the CSA Board passed a resolution supported by The Sea Pines Resort and Sea Pines Center to amend the Sea Pines Gate Policy. This amendment created a separation of daily gate passes into two classifications, one for commercial vehicles, the “daily commercial gate fee” and one for non-commercial vehicles the “daily visitor gate fee”.

Effective June 1, 2017, the daily commercial gate fee was increased from \$6.00 to \$10.00, a \$4.00 increase. No additional provisions were made for designated use of these funds. This commercial gate pass fee represents 28% (108,121) of the issuance of daily passes over the last 12 months and provided \$432,484 in additional revenues to the infrastructure and operating funds of CSA.

Below is the CSA Board resolution made on March 28, 2017, approving the daily commercial gate fee be increased from \$6 to \$10 effective June 1, 2017.

A motion was made by Paul Crunkleton, to approve the Gate Entry Policy Amendments. The motion was seconded by Mark King and unanimously carried.

“RESOLVED, the Community Services Associates, Inc., Board of Directors, approved amending Appendix A, Daily Gate Entry Pass (GEP) to read: Causal Visitor Pass (CVP) – 2 axle vehicle (no trailer), \$6 and Commercial Daily Pass (CDP) – 2 axle vehicle with or without a trailer, \$10, to be in effect as of June 1, 2017”.

Rate Change (Commercial Daily Gate Fee)	Increase Amount	Daily Commercial Gate Pass Volume	Revenue Sources
From \$6 to \$10	\$4.00	108,121 (28% of current daily pass volume of the 386,146)	\$4.00 X 108,121= \$432,484

The Sea Pines New Gate Fee Agreement Summary:

The \$6 to \$8 Daily Visitor Gate Fee Increase

In May of 2017, representatives of the CSA Executive Committee began meeting with The Sea Pines Resort and the Owners of the Sea Pines Center to begin the discussions of an agreement to increase the Daily “Visitor” Gate Fee.

In July 2018, agreement between The Sea Pines Resort, Sea Pines Center representatives and the CSA Board of Directors was reached. On July 5th, 2018 the CSA Board approved an agreement with the following Board resolution:

“RESOLVED, the Community Services Associates, Inc., Board of Directors, approved amendment to the Gate Fee Agreement, (final, July 5, 2018), as presented and amended.

This new agreement provides for an increase in the daily visitor gate fee from \$6.00 to \$8.00 effective August 1, 2018.

Rate Change	Increase Amount	Current daily visitor vehicle volume	Revenue Source
From \$6 to \$8	\$2.00	278,025 (actual July 17' - June 18')	\$2.00 X 278,025= \$556,050

Agreed to Use: Marketing Fund Contribution @ \$8 rate of \$75,000 annually

Total Revenue before expenses	\$556,050
	- (less)
Less Agreed to uses to support \$2.00 increase in daily visitor gate fee	\$75,000
Revenue collected	\$481,050
	(This increase creates an estimated annual funding source of approximately \$481,050 +/- based on current volume.)

Summary of Total Revenues to the infrastructure and operating funds of CSA with all combined increases reaffirmed in current agreement:

Prior Agreement Revenue before 2017

Gate Fee Increase Amounts	Net Revenues available for other infrastructure and operating funds of CSA
\$2.00 daily visitor gate fee increase from \$3 to \$5	\$384,626
\$1.00 daily visitor gate fee Increase from \$5 to \$6:	\$231,688
Total	\$616,314

Current 2017 and new 2018 Agreement Revenues

Gate Fee Increase Amounts	Net Revenues available for other infrastructure and operating funds of CSA
\$4.00 commercial daily visitor gate fee increase from \$6 to \$10	\$432,484
\$2.00 daily visitor gate fee Increase from \$6 to \$8:	\$481,050
Total	\$913,534

Total Revenues to the infrastructure and operating funds of CSA with all combined Gate Fee increases reaffirmed in current agreement	\$1,529,848
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A pathway to \$10 for the daily visitor gate fee:

This agreement provides a path to future daily visitor gate fee increases to \$9.00 and \$10.00. This path requires the volume of daily visitor passes to be maintained at or close to established levels.

Potential for additional income with \$1 from \$8.00 to \$9.00 daily gate fee:

Source: \$278,025 +/- based on current volume.

Use: \$75,000 = Marketing Fund Contribution

At \$9.00 this creates an estimated total annual funding source of approximately \$203,025 in revenues to the infrastructure and operating funds of CSA.

Potential for additional income with \$1 increase from \$9.00 to \$10.00 daily gate fee:

Source: \$278,025 +/- based on current volume.

Use: \$75,000 = Marketing Fund Contribution

At \$10.00 this creates an estimated total annual funding source of approximately \$203,025 in revenues to the infrastructure and operating funds of CSA.

A summary of potential funding at a \$10.00 daily visitor gate fee:

Total Revenues to the infrastructure and operating funds of CSA with all combined Gate Fee increases reaffirmed in current agreement at \$10.00	\$1,935,898
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Note: All sources, uses and volumes are estimates and approximations, unless actual numbers are available. Information as of 7.20.18