



**DC Ranch Association  
Board Report 11-4-19 #1**

**Subject Matter: 2020 Proposed Operating Budget, Reserve Plan and Assessment Schedule**

**Background:** The proposed budget plan has been reviewed on two occasions by the Budget and Finance Committee and it was presented to the Board of Directors on October 17 at a budget workshop.

❖ **Bottom line for *proposed* 2020 budget:**

	<u>2020 Proposed Budget Total</u>	<u>2019 Budget</u>	<u>2020 Budget vs. 2019 Budget</u>	<u>2019 Projected</u>	<u>2020 Budget vs. 2019 Projected</u>	<u>2019 Projected vs. 2019 Budget</u>
Total Expenses	\$ 8,131,231	\$ 8,158,858	\$ (27,627)	\$ 7,771,685	\$ 359,546	\$ (387,173)
Total Revenue	8,097,751	8,158,858	(61,107)	8,183,129	(85,378)	24,271
<b>Net Income/(Loss)</b>	<b>\$ (33,480)</b>	<b>\$ -</b>	<b>\$ (33,480)</b>	<b>\$ 411,444</b>	<b>\$ (444,924)</b>	<b>\$ 411.444</b>

**#1** – Proposed 2020 budget figures are slightly less than the 2019 budget, but there are some material changes in expense philosophy and cost shifts between neighborhoods and departments.

**#2** – Proposed 2020 budget expenses are 5% higher than projected expenses for 2019. And proposed revenue is <1% lower than projected revenue for 2019, but you will again see some reallocation in income sources.

❖ **Employee Cost Allocations:** For as long as staff can remember, an allocation formula was utilized to spread landscape and maintenance payroll expenses across the 17 cost centers (Ranch Master and 16 Neighborhoods). In 2017 the allocation’s legitimacy was questioned. In order to consider changes to the allocation, a time management and data recording program was introduced in 2018. That data was considered; its patterns were then applied with this budget’s development. The result amounts to a realignment of the allocations, which impacts assessments across the 17 cost centers. We believe the adjustments loaded into the 2020 operating budget present a measured and tested approach to the allocations. The allocations used previously were simply not correct. The following chart showcases the current allocation in comparison to the allocation applied to the 2020 budget:

Neighborhood:	# of Lots:	Landscape						Facilities						Total Annual Adj +/-	Annual Per Unit Cost +/-	Annual Per Unit Cost +/- with Ranch allocation
		2019 Allocation		2020 Allocation (Based on Time & Attendance)		Adjustment +/-		2019 Allocation		2020 Allocation (Based on Time & Attendance)		Adjustment +/-				
Arcadia	123	4.76%	\$39,495	4.39%	\$36,425	-0.37%	\$ (3,070)	3.21%	\$13,898	3.22%	\$13,941	0.01%	\$ 43	\$ (3,027)	\$ (25)	\$ (2)
Camelot	166	2.13%	17,673	1.06%	8,795	-1.07%	(8,878)	1.42%	6,148	1.26%	5,455	-0.16%	(693)	(9,571)	(58)	(36)
Country Club	442	7.57%	62,811	3.97%	32,940	-3.60%	(29,870)	3.67%	15,890	9.51%	41,174	5.84%	25,285	(4,586)	(10)	12
Desert Haciendas	87	3.69%	30,617	1.81%	15,018	-1.88%	(15,599)	1.19%	5,152	2.59%	11,214	1.40%	6,061	(9,538)	(110)	(87)
Estates	111	2.98%	24,726	2.39%	19,831	-0.59%	(4,895)	1.19%	5,152	3.49%	15,110	2.30%	9,958	5,063	46	68
Haciendas	89	1.42%	11,782	1.08%	8,961	-0.34%	(2,821)	1.00%	4,330	1.45%	6,278	0.45%	1,948	(873)	(10)	12
Horseshoe Canyon	252	4.67%	38,749	5.76%	47,793	1.09%	9,044	3.90%	16,885	3.63%	15,716	-0.27%	(1,169)	7,875	31	53
Market St Villas	90	3.81%	31,613	4.59%	38,085	0.78%	6,472	2.06%	8,919	7.54%	32,645	5.48%	23,726	30,198	336	358
Montelana	46	1.55%	12,861	0.46%	3,817	-1.09%	(9,044)	0.52%	2,251	1.30%	5,628	0.78%	3,377	(5,667)	(123)	(101)
Park & Manor	165	4.79%	39,744	3.50%	29,041	-1.29%	(10,704)	1.19%	5,152	2.68%	11,603	1.49%	6,451	(4,252)	(26)	(4)
Ranch Association	0	38.00%	315,299	59.31%	492,115	21.31%	176,816	73.06%	316,321	46.85%	202,842	-26.21%	(113,479)	63,337	22	
Rosewood	34	0.62%	5,144	0.34%	2,821	-0.28%	(2,323)	0.50%	2,165	0.88%	3,810	0.38%	1,645	(678)	(20)	2
Sterling Estates	29	0.11%	913	0.38%	3,153	0.27%	2,240	0.00%	-	1.01%	4,373	1.01%	4,373	6,613	413	435
Terrace Homes E	77	2.73%	22,652	1.42%	11,782	-1.31%	(10,870)	1.40%	6,061	2.09%	9,049	0.69%	2,987	(7,882)	(102)	(80)
Terrace Homes W	74	2.64%	21,905	1.55%	12,861	-1.09%	(9,044)	1.21%	5,239	2.08%	9,006	0.87%	3,767	(5,277)	(71)	(49)
Windgate	382	18.53%	153,750	7.99%	66,296	-10.54%	(87,454)	4.48%	19,397	10.42%	45,114	5.94%	25,718	(61,736)	(162)	(139)
Sub-Associations*	693	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	-	-	22
<b>Total</b>	<b>2860</b>	<b>100.0%</b>	<b>829,734</b>	<b>100.0%</b>	<b>829,734</b>			<b>100.0%</b>	<b>432,960</b>	<b>100.0%</b>	<b>432,960</b>			<b>(0)</b>		

\* Icon neighborhood will pay assessments on remaining buildings in 8/2020, so average units for the year was used in calculation.

Calculated on 16 units

❖ Summarized view of 2020 proposed assessments by neighborhood:

Neighborhood	Proposed 2020 Reserve Assessment	Proposed 2020 Operating Assessment	Proposed 2020 Master Assessment	Proposed 2020 Total Assessment	Current 2019 Total Assessment	+/- \$ Adjustment	+/- % Adjustment
Ranch Master	\$ 2.00	\$ 85.65	\$ -	\$ 87.65	\$ 77.65	\$ 10.00	12.88%
Desert Haciendas	55.00	69.80	87.65	212.45	215.40	(2.95)	-1.37%
Terrace West	31.35	66.80	87.65	185.80	176.55	9.25	5.24%
Terrace East	41.05	63.25	87.65	191.95	203.20	(11.25)	-5.54%
Park & Manor	40.02	49.68	87.65	177.35	173.35	4.00	2.31%
Estates	17.73	59.57	87.65	164.95	149.40	15.55	10.41%
Market St Villas	205.00	190.80	87.65	483.45	450.85	32.60	7.23%
Montelana	43.50	88.80	87.65	219.95	219.00	.95	0.43%
Camelot	43.00	53.25	87.65	183.90	182.15	1.75	0.96%
Rosewood	62.00	72.75	87.65	222.40	208.60	13.80	6.62%
Haciendas	17.98	56.32	87.65	161.95	157.05	4.90	3.12%
Country Club	44.43	95.32	87.65	227.40	227.10	0.30	0.13%
Windgate	64.91	137.69	87.65	290.25	298.85	(8.60)	-2.88%
Horseshoe	41.85	122.20	87.65	251.70	242.00	9.70	4.01%
Arcadia	67.00	249.95	87.65	404.60	373.10	31.50	8.44%
Sterling	30.50	250.65	87.65	368.80	329.40	39.40	11.96%
Icon	-	10.00	87.65	97.65	87.65	10.00	11.41%

❖ **General Information:**

- Employee costs are forecast with an increase consistent with CPI adjustment of 3% for all Ranch Association staff.
- Benefit premiums are forecast with an estimated 15% increase.
- Estimating a 10% increase to GL/Prop insurance premiums for the 1/01/2020 renewal.

- Utility rate adjustments passed on by providers.
- With the 501(c)4 tax exemption approval, it is no longer necessary to record Repair and Capital reserve expenses separately. Those categories will be combined in 2020.

❖ **Proposed Budget Compared to Current Year Actuals – Highlights of Increases/(Decreases):**

<b>Revenue</b>	<b>Proposed 2020 Budget</b>	<b>Projected 2019 Actuals</b>	<b>Increase/ (Decrease)</b>	<b>Notes</b>
Assessments	7,396,875	7,159,095	237,780	Amount needed to balance the budget.
Mgt Fee	46,564	309,576	(263,012)	Transfer of custodial staff to Council \$220k, Increase in office rent \$27k.
All Other	<u>654,312</u>	<u>714,458</u>	<u>(60,146)</u>	Increased interest and fines. Misc. income rec'd in 2019 total \$87k.
<b>Total</b>	<b>8,097,751</b>	<b>8,183,129</b>	<b>(85,738)</b>	

<b>Expense</b>	<b>Proposed 2020 Budget</b>	<b>Projected 2019 Actuals</b>	<b>Increase/ (Decrease)</b>	<b>Notes</b>
Reserve	1,524,204	1,426,116	98,088	Increase in Reserves as discussed during 2019 budget, except Arcadia will increase \$15/mo due to a revision in road replacement.
Admin/HR	714,664	711,882	2,782	Due to merit raises, benefit cost increases and plan to be fully staffed.
Comm Stds	310,004	287,784	22,220	Additional .5 FTE.
Info Tech	143,223	142,978	245	No increase.
Fleet	183,390	209,530	(26,140)	Savings on leased vehicles.
Landscape	1,589,884	1,462,754	127,130	Increase in staff costs due to merit raises, benefit cost increases and plan to be fully staffed - \$93k, as well as increase in contract services and materials.
Maintenance	858,173	877,214	(19,041)	
Utilities	504,284	510,597	(6,313)	Adjust water savings to account for above average rainfall in 2019.
Security	2,077,820	1,965,622	112,198	Increased security personnel \$25,000 for part time hours at west gate; additional gate repairs and supplies.
Insurance	174,432	142,558	31,874	Estimated 10% increase overall; MSV increase for flood insurance \$15k.
Depr/Other	<u>51,153</u>	<u>34,649</u>	<u>16,504</u>	Depreciation for additional vehicle (1), truck (1) and ATVs (4)
<b>Total</b>	<b>8,131,231</b>	<b>7,771,685</b>	<b>359,546</b>	

❖ **Budget Notes/Action:**

- Executive Director recommends utilizing \$33,480 in operating equity to offset the large assessment increase for Market Street Villas due to the payroll re-allocation. Policy 207 Operating Fund Cash Management should be revised to address criteria for operating fund equity use.
- Executive Director recommends implementation of a Capital Enhancement Fund, in order to set aside funds for new assets or community amenities. Given the surplus this year, \$50k could be transferred as seed money without negatively affecting operating cash. A policy would need to be developed.
- The tree maintenance program for all Desert Park neighborhoods under the Ranch umbrella (5) will be brought to the Board in December 2019. Once the proposal has been communicated and discussed with all related parties, the program will be considered for implementation in 2021.
- The Disclosure should be adjusted from \$350 to \$400 (permitted by ARS 33-1806). This fee has not been adjusted for more than five years.

**Recommendation:** Approve the budget plan and assessment schedule for the 2020 fiscal year.

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Darren Shaw, Executive Director