

DC Ranch Association Board of Directors Meeting

November 6, 2023



Mission Statements

- **Ranch Association:** Emphasizing customer care and sustained property values. Protects fiscal and environmental assets. Provides professional financial, landscape, and maintenance staff. Manages community patrol and gate access services.
- **Community Council:** Visioning and facilitating initiatives that enhance residents' quality of life and serve collective interests. Provides recreational, educational, cultural, and volunteer opportunities. Promotes the DC Ranch brand and manages communication programs.
- **Covenant Commission:** Establishes and maintains standards for architectural and landscape design while working with property owners, builders, and architects to preserve harmony with our desert environment.

Principles of Civil Dialogue

Respect and diversity of thought are valued at DC Ranch. Civil dialogue should be used when addressing the Board, another resident, or a DC Ranch staff member.



Meeting Agenda

- Call to order
- Roll Call / Establish Quorum
- President's Comments
- Approval of Prior Meeting Minutes
 - October 2, 2023, Regular Meeting
 - October 2, 2023, Executive Session
 - October 20, 2023, Executive Session
- Q3 Financial Report, Dee Nortman
- Executive Director's Report
- Unfinished Business
 - Policy Amendment Updates
 - 2024 Board Calendar
- New Business
 - Policy Updates
 - Approval of 2024 Budget
- Committee Reports
 - Firewise Committee Update
 - Budget and Finance
 - Modification Committee Update
 - Policy Committee Update
 - Sustainability Committee
 - Community Patrol and Gate Access Committee
- Member Open Forum
- Announcements
- Adjournment

Roll Call

- Phil Geiger– President
- Greg Kiraly– Vice President
- Marla Walberg– Secretary
- John Shaw– Treasurer
- Elaine Cottey– Director
- Iryna Sukhovolets– Director
- Don Matheson - Director



President's Comments

- Public Comment Statement/Board Meeting Protocol
- Modification Resolution
- Mack Update
- Anonymous Comments

Approval of Prior Meeting Minutes

- October 2, 2023, Regular Board Meeting
- October 2, 2023, Executive Session Meeting
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3rd Quarter 2023 Financial Report

Director of Financial Operations

Dee Nortman



Statement of Revenue and Expense For the Period Ending September 30, 2023



	September 2023			Year to Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenue						
Assessment	\$805,989	\$ 805,980	\$ 9	\$ 7,253,902	\$ 7,253,820	\$ 82
Non-Assessment	42,814	46,885	(4,071)	473,950	448,278	25,672
Total Revenue	848,803	852,865	(4,062)	7,727,852	7,702,098	25,754
Expenses						
Operating Expenses	686,644	736,413	(49,769)	5,720,506	6,096,174	(375,667)
Reserve Funding	168,104	168,104	-	1,512,936	1,512,936	-
Total Expense	854,748	904,517	(49,769)	7,233,442	7,609,110	(375,667)
Operating Income/(Loss)	\$ (5,945)	\$ (51,652)	\$ 45,707	\$ 494,410	\$ 92,989	\$ 401,422
Reserve Income/(Loss)	122,972	(333,013)	455,985	955,949	(195,048)	1,150,997
Capital Income/(Loss)	(4,908)	-	(4,908)	(44,168)	-	(44,168)
Total Net Income/(Loss)	\$112,120	\$ (384,665)	\$ 496,784	\$ 1,406,191	\$ (102,060)	\$ 1,508,250

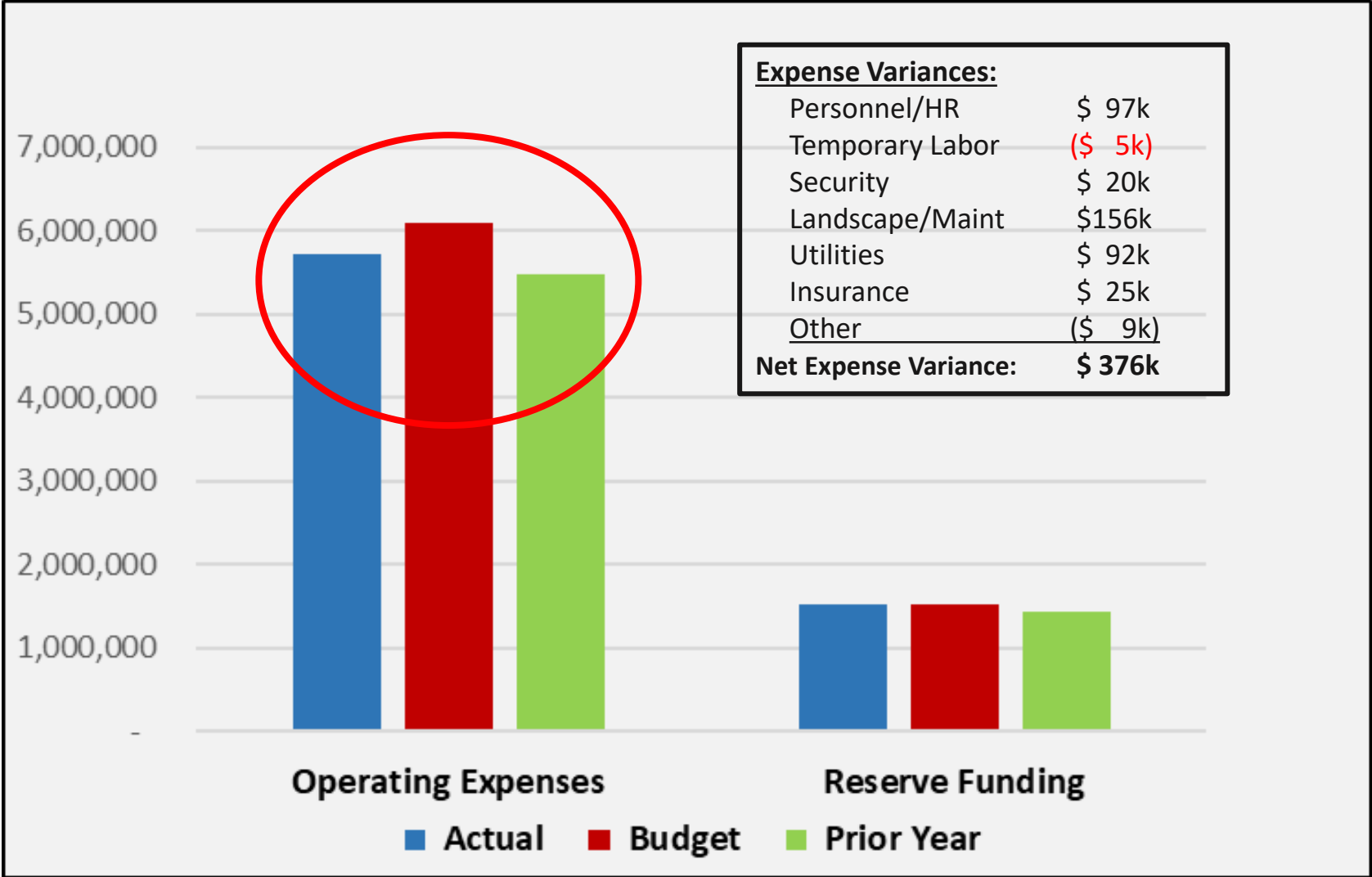
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Expense Comparison

For the Period Ending September 30, 2023



Balance Sheet at 9/30/2023



Assets			
	<u>9/30/2023</u>	<u>12/31/2022</u>	<u>Y/Y Change</u>
Operating Cash	\$ 2,126,726	\$ 1,056,966	\$ 1,069,760
Reserve Funds	10,669,813	10,112,659	557,154
Capital Funds	69,168	69,168	0
Accounts Receivable, Net	260,088	318,660	(58,572)
Intercompany Receivables	-	9,713	(9,713)
Prepaid Expenses	77,338	261,358	(184,020)
Operating Lease RTU Asset	148,167	148,167	0
Other	2,206	36,528	(34,322)
Total Current Assets	<u>487,798</u>	<u>774,426</u>	<u>(286,627)</u>
Fixed Assets			
Property & Equipment	360,678	356,062	4,616
Depreciation	<u>(303,522)</u>	<u>(259,354)</u>	<u>(44,168)</u>
	57,156	96,708	(39,552)
Total Assets	<u>\$ 13,410,661</u>	<u>\$ 12,109,926</u>	<u>\$ 1,300,735</u>

Liabilities/Equity			
	<u>9/30/2023</u>	<u>12/31/2022</u>	<u>Y/Y Change</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 317,365	\$ 384,101	\$ (66,736)
Intercompany Payable	64,270	147,688	(83,418)
Accrued Expenses	107,472	119,459	(11,988)
Prepaid Assessments	329,050	291,988	37,062
Deferred Revenue	-	-	-
Operating Lease RTU Asset	148,167	148,167	0
Other Current Liabilities	<u>22,831</u>	<u>3,207</u>	<u>19,624</u>
	989,155	1,094,611	(105,456)
Long-Term Liabilities			
Note Payable - Equipment	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
Equity			
Operating Equity	418,352	418,352	(0)
Reserve Equity	10,431,088	10,431,088	-
Capital Equity	165,876	165,876	-
CY Net Income/(Loss)	<u>1,406,191</u>	<u>0</u>	<u>1,406,191</u>
	12,421,506	11,015,316	1,406,190
Total Liabilities/Equity	<u>\$ 13,410,661</u>	<u>\$ 12,109,927</u>	<u>\$ 1,300,735</u>

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Long-Term Liabilities			
Note Payable - Equipment	-	-	-
Other	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
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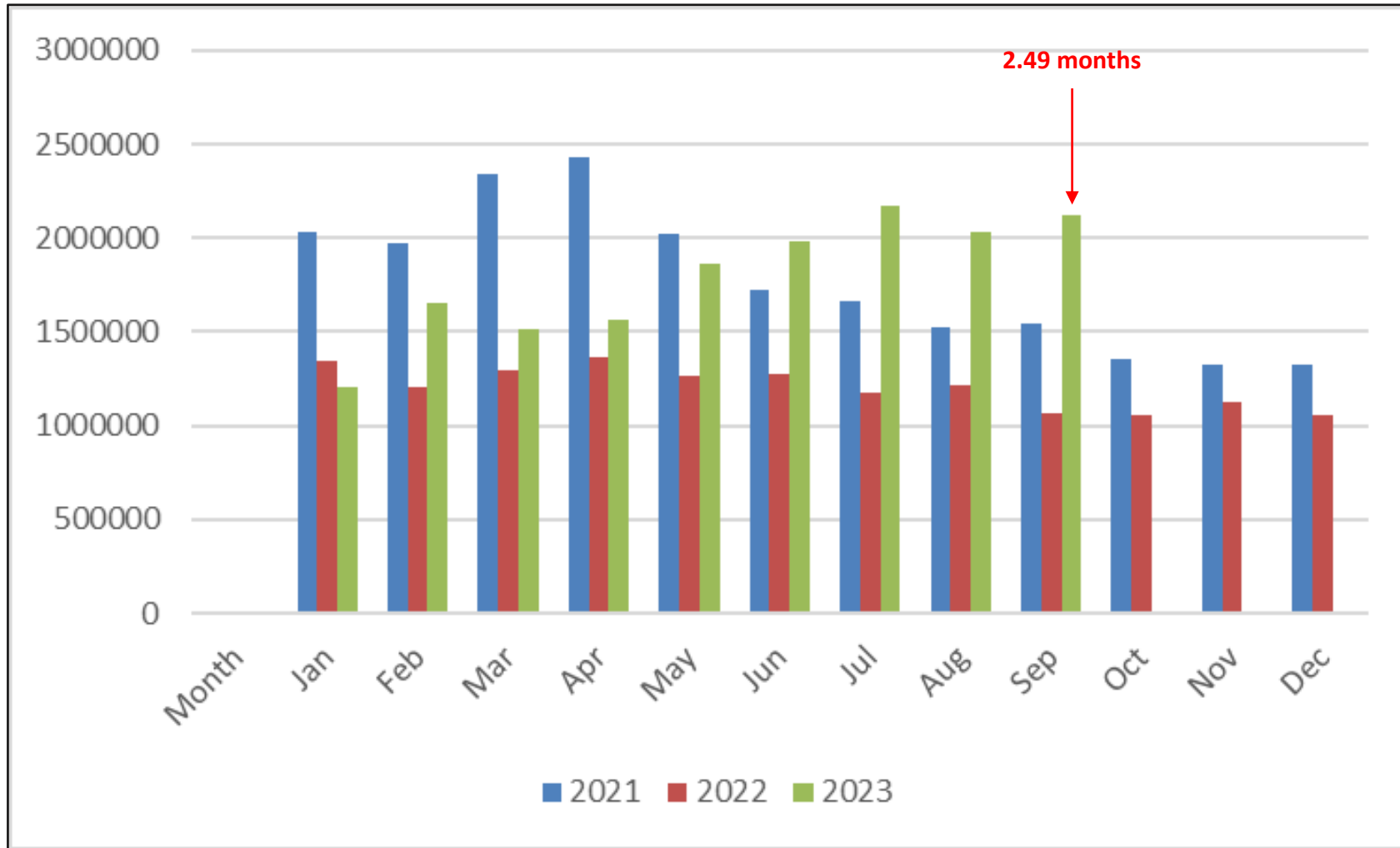
Statement of Cash Flows

for period ending September 30, 2023



	<u>Current Month</u> Month Ended September 2023	<u>Year-to-Date</u> Year Ended September 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (deficit) for period	\$ 112,120	\$ 1,406,191
Adjustments to reconcile net income (deficit)		
Depreciation	4,908	44,168
<u>(Increase)/Decrease in:</u>		
Accounts receivable	98,364	58,572
Intercompany receivables	-	9,713
Prepaid expenses	85,176	184,020
<u>Increase/(Decrease) in:</u>		
Accounts payable	91,478	(66,736)
Accrued expenses	3,639	1,150
Accrued payroll expenses	(40,735)	(13,138)
Prepaid assessments	(6,046)	37,062
Intercompany payables	(41,529)	(83,418)
Other liabilities	(194,087)	53,946
NET CASH FROM OPERATING ACTIVITIES	113,287	1,631,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant & Equipment	-	(4,616)
NET CASH FROM INVESTING ACTIVITIES	-	(4,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of long-term debt	-	-
NET CASH FROM FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH	113,287	1,626,914
CASH, BEGINNING OF PERIOD	12,752,420	11,238,793
CASH, END OF PERIOD	\$ 12,865,707	\$ 12,865,707

Operating Cash Balances by Month



Questions?



Executive Director's Report

- *Budget Development.* We have completed 2024 budget development. The Board reviewed the budget draft at a joint work session with the Finance Committee, an open budget meeting was held on October 18, finalization and adoption of the budget anticipated tonight under old business on the agenda.
- *Resident Leadership Academy.* Class IV applications are now open through Dec. 15 on DCRanch.com. Applicants ideally have a genuine interest in learning more about the community's governance and operations.
- *Conversations in the Park.* Two neighborhood events are scheduled for residents, November 8 for Park and Manor, and December 6 for Terrace Homes East and Terrace Homes West. Both events start at 4 pm-5:30 pm, with both Presidents and Executive Directors of Community Council and Ranch Association attending.
- *NVM application deadline.* The acceptance of applications for NVM representation ends on November 3. Currently, have 7 vacancies.
- *Staff Service Project.* We have an All-Team service project scheduled for November 8 from 1-4 pm at The Homestead. We will be completing projects for the second year for HandsOn Greater Phoenix.



Executive Director's Report

- *Transponders.* Staff will be working with Board of Directors, NVMs, Committee members and residents who have obtained their transponder since January 1, to make the conversion to headlight tags from the hard card transponders by year end.
- *Updating Registration of Vehicle Information.* Re-registration of all vehicles and license plates associated with your property will go in conjunction with the headlight tags, but those that have windshield tags will be able to begin the process starting January 1.
- *Administrative Coordinator hired.* Omar Conchas-Acuna has started as the Administrative Coordinator. Omar is responsible for issuance of speeding violations, camera maintenance and relocation, the new re-registration of vehicle process, collections and assisting with insurance claims on gate hits.
- *Benefits Open Enrollment.* The open enrollment for benefits has started, and DCRA staff have until November 13 to make changes to 2024 coverage.
- *All-Team Value Awards.* The All-Team value award nominations are being accepted through December 22. The awards are awarded in February 2024 and are based on our five team values (fun, professionalism, innovation, passion and teamwork). These are peer-based nominations, and staff have been provided the nomination forms.
- *4th Quarter Team Building.* 4th Quarter team building event scheduled for December 14 for all Ranch Association employees.

Executive Director's Report

- *Event.* Safety Forum was held on October 25 at 6 pm. The City of Scottsdale Fire Department and Emergency Management team discussed emergency evacuations and we provided a Ready, Set, Go! Bag. We have some leftover bags remaining and if any resident would like one, they can stop by the front desk to pick one up.
- *Artificial Turf applications.* 8 artificial turf applications received this month. City of Scottsdale rebate program is still available. Residents are reporting an easy process, and rebates are worth the investment.
- *Overseeding.* Overseeding is complete, and the first mow is expected to be next week with fertilizer to follow in the middle of November.
- *Adopt-A-Road.* DC Ranch Landscape team just completed the Adopt-A-Road cleanup where they collected 27 bags of trash on the Road designated for DC Ranch.



Executive Director's Report

- *Tree Replacement.* To date, we have replaced 66 trees, and have 11 trees scheduled for October from the loss during the July Monsoon.
- *Association Office Holiday Closures.* The Association offices on Market Street will close in observance of Thanksgiving on Wednesday, November 22 at noon and will reopen on Monday, November 27 at 8:30 am. Any emergencies during this time should be reported to the Command Center at 480.397.9659.
- *Tree Trimming.* Tree trimming was completed in Terrace Homes East, Terrace Homes West, Park and Manor, The Estates, and Country Club. Windgate trees to be trimmed by the end of November.
- *Culvert Cleaning.* Culvert cleaning was completed behind Country Club, Lot 250. Two additional culverts, near lot #131, and #217. Sierra Pinta wash will be completed by month end.
- *Wood Fences.* Country Club wood fences maintenance and replacement still ongoing.

Unfinished Business

- *Policy Update Amendments*
 - i. Policy 103 Ethics, Harassment and Non-Discrimination
 - ii. Policy 107 Neighborhood Committees
 - iii. Policy 201 Financial Operations Controls
 - iv. Policy 202 Financial Reporting
 - v. Policy 203 Financial Audits
- *2024 Board Calendar*
 - Please note December board meeting to be held in person at The Homestead.

New Business

- *Policy Update Amendments*
 - Policy 210-Asset Disposal
 - Policy 302-Fines for Rule Restrictions and Community Standards
- *2024 Annual Budget*

2024 Budget Timeline

Per our governing documents, the Board shall approve a budget at least 45 days before end fiscal year; and shall send a copy of the budget to each owner at least 30 days prior to the budget effective date.

- Budget and Finance budget meetings were held September 19, September 27, October 3, October 16
- Board of Director's Budget Workshop, September 20
- Public Budget Meeting, October 18
- Formal Approval Consideration, November 6
- Communication with joint budget letter to be sent out this month to meet governance requirements.

The Bottom Line



Expense Notables

- Staff costs (including temporary labor) increased by 20% over current year budget, to account for the addition of four (4) FTEs, raises and benefit premium increases. A comprehensive salary and benefit survey was completed this year to guide wage adjustments and benefit offerings. *Employee costs remain static at 34% of total budget.*
- Reserve contributions increased by 7.2% overall per the current repair and replacement schedule. A third-party audit was conducted in 2023; an analysis on road replacement will be completed in 2024.
- A \$25,000 contribution to the Capital Fund is currently budgeted in 2024, which would provide funding for the purchase of land for the maintenance yard.
- Management fee expense (net) decreased \$61k Y/Y. Two FTEs primarily allocated to Covenant Commission work were moved from Council to Ranch staff and other shared services were reallocated to streamline contracts and vendor payments in 2024.
- Fleet costs increased 7% for vehicle leases and fuel costs.
- Utilities reflect a 5% decrease in budget Y/Y. Figures were estimated with tier 4 rates in 2023; 2024 budget reflects actual costs plus 10% rate increase passed on by providers.
- Landscape and Maintenance supplies and services are forecast to increase an average of 12%.
- Funding for special projects in the Ranch Master cost center includes sustainability initiatives for \$10K and CPGA Initiatives for \$10k.

Expenses – cont'd

- CPGA expenses are increasing 5% over the current year budget and current year actuals. Efforts continue to minimize the impact of CPGA costs (ex. operations changes to reduce FTEs).
- GL/Prop insurance premiums for 2024 are forecast with an average 5% decrease over 2023 budget figures; 8% increase over 2023 actuals.

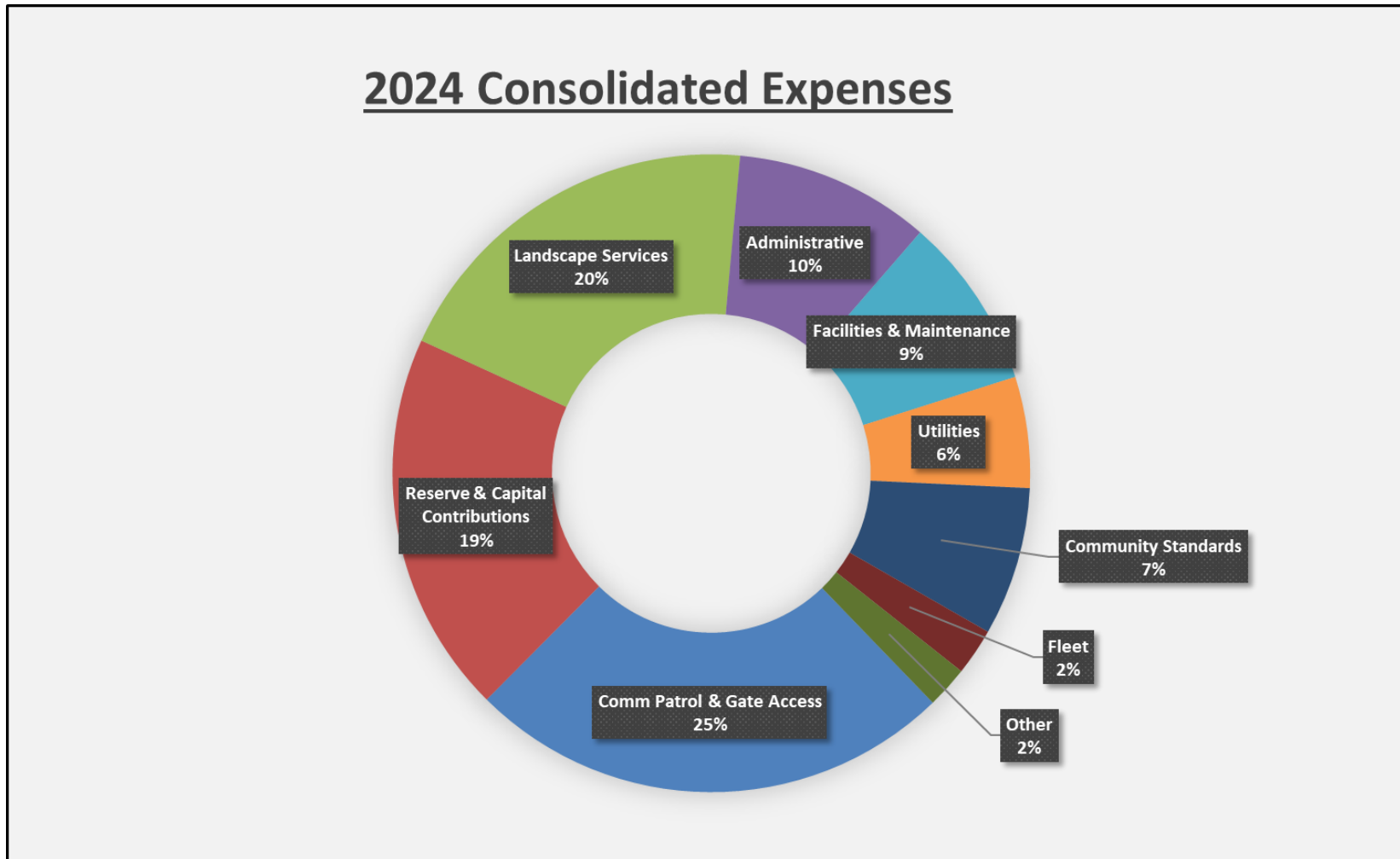
Revenue Notables

- Assessments increasing 9% over the current year.
- Other revenue (fines, fees etc.) forecast to decrease \$17k or 3% as compared to current year budget.

Overall

- Total Expense increase is 10% over 2023 budget.
- Reserve contributions from 4-8% depending on each neighborhood's funding levels. Exception for Terrace Homes West that requested a 15.8% increase.
- As the community ages, the schedule for work replacement, and with 54 miles of roads, the funding for repair, maintenance and replacement becomes a very large expense.
- Ranch Association, Community Council and Covenant Commission partner to share costs to create efficiencies and maximize cost savings through the management fee agreement. The items included result in a zero net effect to the bottom line for each entity.

2024 Consolidated Expenses



2023/2024 Assessment Comparison

<u>Neighborhood</u>	<u>\$ Change in Reserves</u>	<u>% Change in Reserves</u>	<u>\$ Change in Operating</u>	<u>% Change in Operating</u>	<u>Total Assessment</u>	<u>\$ Change</u>	<u>% Change</u>
Ranch Master	\$ 0.50	8.33%	\$ 12.10	10.25%	\$ 136.70	\$ 12.60	10.15%
Desert Haciendas	5.00	7.14%	6.40	6.75%	312.90	24.00	8.31%
Terrace West	8.10	15.76%	14.65	19.51%	285.95	35.35	14.11%
Park & Manor	3.95	8.05%	1.85	2.98%	253.55	18.40	7.82%
Country Club	2.80	6.30%	11.05	9.08%	316.70	26.45	9.11%
Estates	2.25	7.56%	12.75	23.72%	235.20	27.60	13.29%
Terrace East	3.95	8.40%	17.60	22.11%	284.90	34.15	13.62%
Rosewood	5.00	7.35%	13.95	17.24%	304.55	31.55	11.56%
Camelot	3.00	6.38%	6.70	9.96%	260.70	22.30	9.35%
Haciendas	2.00	6.06%	16.75	22.91%	261.55	31.35	13.62%
Market St Villas	19.60	8.00%	3.05	1.18%	662.65	35.25	5.62%
Montelana	3.00	6.45%	4.95	4.40%	303.70	20.55	7.26%
Windgate	4.15	5.07%	14.75	8.39%	413.20	31.50	8.25%
Arcadia	10.00	7.87%	14.55	5.39%	558.10	37.15	7.13%
Horseshoe	3.75	8.47%	8.95	7.04%	320.80	25.30	8.56%
Sterling	2.75	8.21%	36.05	12.23%	503.80	51.40	11.36%
Pioneer	2.00	5.00%	11.35	24.67%	236.05	25.95	12.35%

2024 Budget Approval

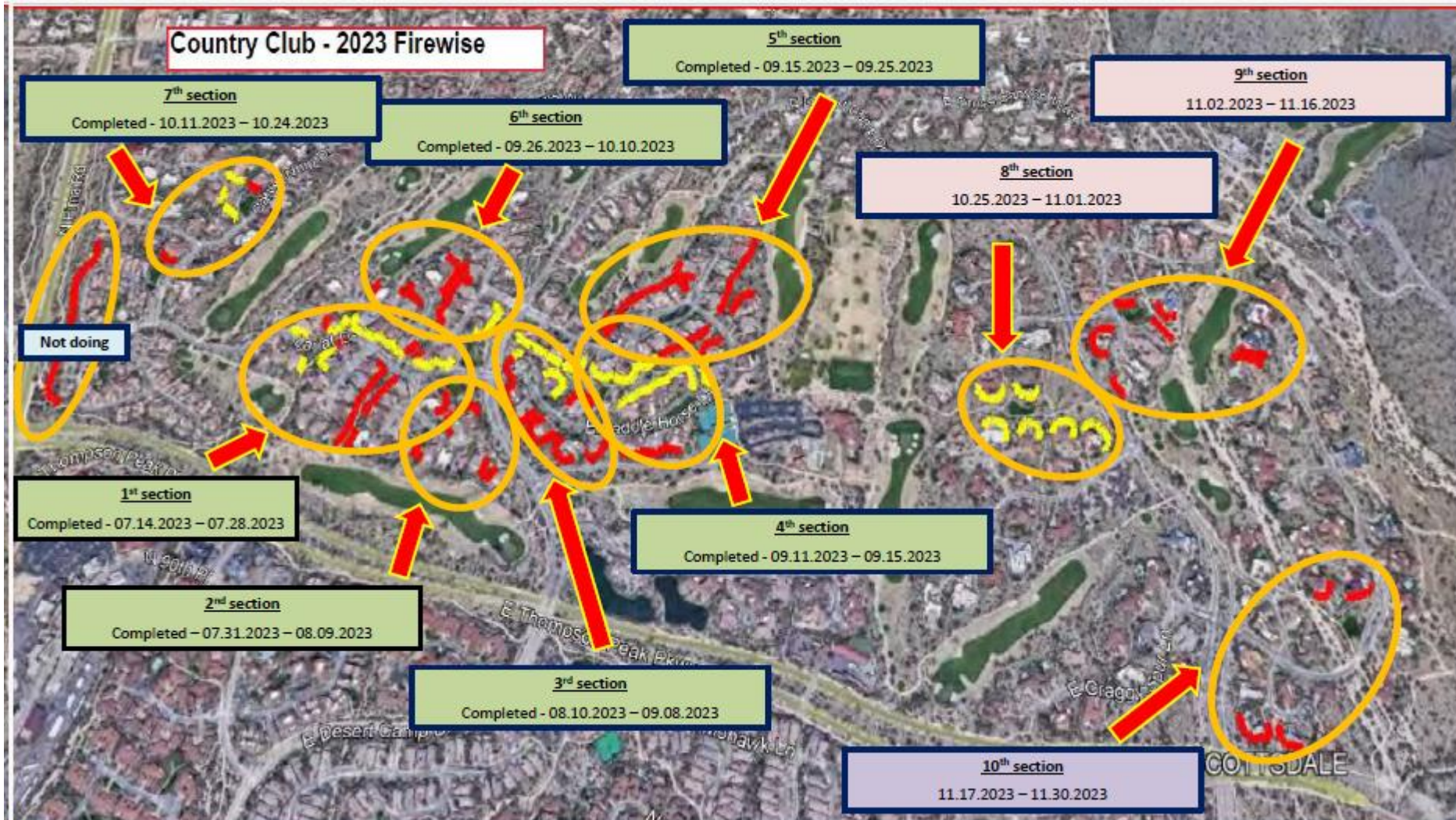
Per the 2022 audit, Ranch Master has a \$660,887 negative equity balance as of 12/31/2022. *“The significant increase of Security, Information Technology, and Personnel operating costs due to higher than anticipated inflation resulted in a significant operating deficit for the Ranch Master Operating Fund.”*

Recommendation from auditors: *“We recommend that the Board continue addressing the impact of inflationary cost increases.”*

The 2023 budget included a budget surplus for Ranch Master of \$48,518 to begin to address the negative equity matter. Actual financial results through the third quarter reflect a net profit of \$255,000, which will serve to increase Ranch Master equity at year-end.

Staff recommends increasing 2024 Ranch Master assessment by an additional \$1.30, which would bring the annual assessment to \$138/month instead of the \$136.70 presented. This would demonstrate Ranch Association governance is continuing to take proactive steps to reduce the negative equity balance. This amount would result in \$45,053 reduction to the negative equity in Ranch Master.

Firewise Committee Report



- Currently, completed through section 8 of Country Club clearing.

Committee Reports

- Budget and Finance Committee Report,
- Modification Committee Report
- Policy Committee
- Sustainability Committee-November 28, 2023
- Community Patrol and Gate Committee-December 14, 6 pm, Main Conference Room

Member Open Forum



We want to hear from residents
(three-minute limit).

Please raise your hand to be called
upon to speak.

Announcements

- Next Board Meeting, December 4, 6 pm, The Homestead
- Resident Leadership Academy IV applications are now available and due by December 15.
- NVM Appreciation event, December 13, 6 pm

Adjournment