



**DC Ranch Association
Board Report 5-6-19 #4**

Subject Matter: Proposed Policy 206 – Budget Development Process and Requirements

Background: Each year, a budget development schedule is developed for the Budget and Finance Committee and the Board. The schedule provides various milestones that must be met to achieve the objective, which is Board approval for the ensuing year's operating budget, reserve plan and assessment schedule. State statutes and the Association's CC&Rs provide direction, and requirements that must be met. This policy's intention is to capture them in one document.

This proposed policy was reviewed by the Budget and Finance Committee. The Policy Committee presents the accompanying proposed policy regarding the budget and development process and requirements.

This proposed policy addresses the following:

- The scope of responsibility
 - o Ranch master and 16 neighborhoods
- Operating budget and reserve plan preparation
- Budget and Finance Committee involvement
- Review and approval process
- Notice requirements
- Distribution of the budget and related assessments

The Policy Committee recommends conditional approval of this proposed policy. At that point it can be posted for 30-day member comment in accordance with Policy 102. It can then be brought back to the Board for formal consideration at its June 10, 2019 regularly scheduled meeting.

Recommendation: Conditionally approve the proposed policy for the required 30-day member comment period cited above.

A handwritten signature in black ink, appearing to read 'Darren Shaw', is written over a horizontal line.

Darren Shaw, Executive Director



**DC Ranch Association
Policy 206
Budget Development Process and Requirements**

Policy 206

Date of Adoption:

Effective Date:

Last Revised: 4-22-2019

206.1 Purpose: The purpose of this policy is to define the procedures and processes associated with the development of the annual operating, reserve fund and capital improvement budgets for DC Ranch Association.

206.2 Scope: This policy applies to the development of the annual operating, reserve fund and, (if applicable) capital improvement budgets for 16 neighborhoods and Ranch Master.

206.3 Responsibility/Authority: The DC Ranch Association Board of Directors.

206.3a Delegation of Authority: The DC Ranch Association Board of Directors delegates some of its responsibilities to the Executive Director, such as the development of the annual budgets for operating purposes, reserves and capital improvements (if established). The Executive Director works closely with the Director of Financial Operations.

206.4 Introduction: DC Ranch Association's mission statement is as follows: To serve all DC Ranch Stakeholders through the professional management and protection of the community's fiscal and environmental assets. DC Ranch Association delivers high quality and consistent operations, landscape, maintenance and security services with an emphasis on customer care and open communication that result in sustained property values and exceptional quality of life.

206.5 Budget Development and Notice Requirements: The Association's Bylaws and CC&Rs prescribe various budget related requirements.

206.5a: The duties of the Board shall include preparing and adopting, in accordance with the Declaration, an annual budget and establishing each Owner's share of the Common Expenses and any Neighborhood Expenses (Bylaws/3.18(a)).

206.5b: The Treasurer shall supervise preparation of the budget provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, manager, or both (Bylaws/4.4).

206.5c: The Board shall approve the appropriate number of equivalent units (defined below) to assign to each Lot and Parcel at least annually and shall make at least one such determination within a reasonable period before the adoption of a budget for the following fiscal year (CC&Rs/Part II).

- The accounting staff shall determine the total lot and condominium counts in each parcel (equivalent units). The equivalent units shall serve as the factor by which the neighborhood expenses are shared.

206.5d: At least annually, the Board delegating to the Executive Director, shall prepare and review reserve budgets for the Area of Ranch Responsibility and for each Neighborhood for which the Association maintains capital items as a Neighborhood Expense. The budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Common Expense budget adopted pursuant to Section 8.1 of the CC&Rs and the Neighborhood Expense budgets adopted pursuant to Section 8.2 of the CC&Rs, as appropriate, capital contributions to fund reserves in amounts sufficient to meet projected needs with respect both to amount and timing by annual contributions over the applicable budget period.

- Reserve plan funding for the ensuing year shall include all deferred and/or incomplete projects and related funding.

206.5e: At least 45 days before the beginning of each fiscal year, the Board delegating to the Executive Director, shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units, as authorized in Section 8.6 (CC&Rs/8.1).

206.5f: At least 45 days before the beginning of each fiscal year, the Board delegating to the Executive Director, shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. Each such budget shall include any costs for additional services or a higher level of services which the Owners in such Neighborhood have approved pursuant to Section 6.4(a) and any contribution to be made to a reserve fund pursuant to Section 8.3.

The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount required to be generated through the levy of Neighborhood and Special Assessments against the Units in such Neighborhood (CC&Rs/8.2).

206.5g: The Community Council shall be notified by the Board of any Base Assessment to be levied by the Association for each neighborhood and Ranch Master at least 15 days prior to the beginning of each fiscal year of the Association.

206.5h: The Board, via the Director of Financial Operations, will send a copy of the final budget and notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Owner at least 30 days prior to the effective date of such budget(CC&Rs/8.1).

206.6 Budget Development Schedule: A budget development schedule will be presented to the Budget and Finance Committee and Board prior to June 1.

206.6a: The schedule will provide measurable milestones leading up to the formal presentation to the Board.

206.7 Board Direction: General direction shall be provided to the Executive Director at the Board's annual planning event.

206.8 Budget and Finance Committee: The Budget and Finance Committee shall formally review the proposed operating budgets and reserve plan forecasts for the 15 Neighborhoods and Ranch Master, as well as the proposed assessment adjustments.

206.8a In September, the Committee is provided with key budget and reserve plan assumptions.

206.8b Before October 15, the Committee shall formally review the operating budgets and reserve plans.

206.9 Meeting Presentations: The proposed budget and reserve plan shall be presented to the Board at a special budget workshop open to members prior to formal consideration.

206.9a: The Board shall formally consider the proposed operating budgets and reserve plans at its November regularly scheduled meeting.

206.10 Budget Disputes: The budget shall automatically become effective unless disapproved at a meeting by Voting Members representing at least 75% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists (CC&Rs/8.1).

Approved By: _____ Date _____
Board President or Secretary

Effective Date: _____

DRAFT

Ranch Association 2020 Budget Timeline

Date	Responsible Parties	Description
Wednesday, June 5, 2019	Board Retreat	General Direction
Thursday, June 27, 2019	Staff Meeting	General Direction
Monday, July 1, 2019	Director of Finance	Budget Worksheets sent to Directors/Managers
Friday, July 26, 2019	Managers /Department Heads	2019 Year End Forecasts Due
Wednesday, August 14, 2019	Managers /Department Heads	2020 Operating Budgets Due
Monday, August 19, 2019	Budget and Finance Committee	General Overview
Friday, August 23, 2019	Managers /Department Heads	2020 Reserve Forecasts Due
Monday, September 9, 2019	Director of Finance	2020 Budget Worksheets Complete
Monday, September 16, 2019	Budget and Finance Committee	2020 Key Assumptions
Tuesday, September 24, 2019	ED and Director of Finance	Review significant Y/Y changes and key focus areas: Insurance Package Review Payroll Increases/Changes Security Increases/Changes
Monday, October 7, 2019	Budget and Finance Committee	2020 Draft Budget and Reserve Plan
Friday, October 11, 2019	ED and Director of Finance	Final Budget Adjustments
Thursday, October 17, 2019	Budget and Finance Committee/Board of Directors	Final Draft Budget and Reserve Plan
Monday, November 4, 2019	Board of Directors Meeting	Formal Approval Consideration
Week of November 18, 2019	Staff	Membership Communication