



The Mission of the Community Council is to facilitate a connected and welcoming community that instills pride and a sense of belonging in each DC Ranch resident. The Council's work includes visioning and facilitating initiatives that enhance residents' quality of life, serve collective interests and promote the DC Ranch brand. These benefits make DC Ranch a very special place to live.

DC Ranch Community Council Board of Directors BOARD MEETING – Budget Workshop

October 20, 2022 | 5:30 p.m.

Hybrid Meeting; Attendance welcome at The Homestead Community Center or via [Zoom](#)*
(All Council Board and Staff will be in person at The Homestead.)

AGENDA

- I. Welcome
- II. Consider Sustainability Committee Charter
- III. Presentation of Proposed 2023 Community Council Operating Fund Budget and Discussion
- IV. Adjourn Meeting

**Resident questions and comments from those in attendance at The Homestead are welcome. Please raise your hand to speak when invited to do so by the Board President. So those attending virtually can hear comments, please step to the microphone, state your name and address, and present your comment or question. If you are attending virtually and wish to submit comments or questions, please send those in advance of the meeting to jenna.kohl@dcranchinc.com with the subject "Budget Meeting – Inquiry" as comments made via Zoom during the meeting will not be monitored.*

COMMUNITY VALUES

- Sense of Community
- Healthy Lifestyles
- Artistic and Cultural Opportunities
- Diversity and Inclusiveness
- Lifelong Learning
- Family
- Environmental Stewardship
- Relationship with the Larger Community

DC Ranch Sustainability Committee

The Sustainability Committee is established as a joint committee of the Community Council, Ranch Association, and Covenant Commission that serves in an advisory capacity to provide guidance and counsel on sustainability initiatives and environmental practices for the organizations and the DC Ranch community-at-large in accordance with governing documents.

DCR2020 Strategic Initiative 6 sets forth the goal to position DC Ranch as environmentally sustainable for the future. The initiative recognizes that DC Ranch is situated adjacent to the beautiful McDowell Sonoran Preserve. Residents today and homebuyers in the future see environmental sustainability as an important value and responsibility. DC Ranch identifies its community and brand with environmental sustainability – demands placed on the environment are met without reducing its capacity to allow all people to live well, now and in the future.

Environmental issues and pressures are relevant and timely. Water restrictions are underway due to drought and decline of the Colorado River; the City of Scottsdale changed their code to prevent mandates for overseeding; and Firewise is being implemented in DC Ranch as a necessary fire prevention measure.

To that end, the Sustainability Committee is hereby established as follows:

- A. Areas of Engagement: The Sustainability Committee will work with the Executive Directors or their designees to provide advice to the Boards and the residents and businesses of DC Ranch in the areas listed below:
 - a. Routinely review, update and monitor adherence to the DC Ranch Community Standards that were designed to aid in the protection of the natural desert and surrounding landscape settings.
 - b. Evaluate and recommend use of alternative energy sources and best practices
 - i. Pursue an audit and summary of the energy usage in DC Ranch Common areas and at DC Ranch owned facilities to seek more energy efficient products.
 - ii. Publish information on approved energy conservation methods and resources on the DC Ranch website.
 - c. Recommend water conservation practices and programs for the organization and community.
 - d. Foster partnership with the McDowell Sonoran Conservancy on joint programs for preservation of the natural desert environment.
 - e. Communication to the community on environmentally practices and opportunities.
 - f. Compliance with local, state or federal requirements and best practices relating to sustainability.
 - g. Consider, research, and evaluate new environmentally sustainable practices for the community.
- B. Chair: The Executive Directors for the Ranch Association and Community Council and/or their designees will jointly Chair the Committee.
- C. Membership: The Committee will include up to ten members, not including Executive Directors, and may include the following:
 - a. Up to two board liaisons from Council Board, up to two liaisons from Ranch Association Board, and one liaison from Covenant Commission Board (who cannot also be on Council Board)
 - b. Up to two staff representatives from Council, up to two from Ranch Association, and one from the Covenant Commission
 - c. Up to four residents selected at large from the community
 - d. The executive directors may also invite experts to participate in the committee's work in

alignment with the objectives and goals of the committee.

- D. Selection: Board liaisons will be selected by the individual Boards of Directors. Staff representatives will be designated by the Executive Directors. Members at-large will be recommended by the Executive Directors with approval by the Governance Committee.
- E. Terms: Members will serve one-year terms with no term limits.
- F. Meetings: The Sustainability Committee will meet quarterly, with special meetings as needed. Meetings are not open unless otherwise indicated.
- G. Reporting: The Committee will report out to the Boards at least once per year to report on goals established for the following calendar year and achievements.
- H. Budget: No budget is established for this Committee; however, the Committee may make recommendations for projects and initiatives to the Boards for incorporation into annual budgets.



DC Ranch Community Council

To: DC Ranch Community Council Board of Directors
From: Jenna Kohl, Executive Director
Dee Nortman, Director of Financial Operations
Date: 10/13/2022
Subject: *2023 Operating Budget Proposal*

Overview

The proposed 2023 Operating Fund budget is presented to the Board for consideration. This conservative and mission-oriented budget focuses on services and programs that bring value to the community. It was developed through a rigorous process to ensure that every number is justified. The budget as proposed is balanced at \$5,089,734, including an assessment increase.

This memo gives a high-level overview of the budget proposal; more detail will be provided at the Oct. 20 budget workshop.

Summary

Overall, the budget is projected to increase 13% over 2022 budget figures. This includes an assessment increase from \$52 to \$69. As with each annual budget, we pursued savings and budget cuts across all departments. Even with those reductions, escalating costs due to inflation, increases in vendor fees and supply costs, and higher costs associated with our most significant asset, personnel, necessitated an increase.

The budget reflects feedback and direction from the Board and Finance Committee. It is driven by governing documents, core services, prior years' experience, strategic plans, resident input, and Reserve Fund requirements. It reflects Community Council's commitment to strong financial stewardship through thoughtful and transparent budget development and implementation.

Each year, Council takes steps to pursue impactful cost savings and efficiencies to balance the budget, and 2023 is no different. Reductions that would not directly affect the resident experience were prioritized. Adjustments will be explained in more detail at the Oct. 20 meeting.

Consistent with the Finance Committee's recommendation, the assessment increase provides for reduced reliance on the benefit fees for operating expenses. Benefit fees allocated to operating would reduce from \$1.65m (in 2022) to \$1.5m (in 2023). Benefit fees received in 2023 beyond the \$1.5m would be transferred to the capital fund; however, with the decline in benefit fees due to the slowdown of the housing market, excess benefit fees are not anticipated.

Revenues

Significant changes include:

Item	Impact	Amount	% Change v. 2022 Budget	Notes
Assessments (commercial and residential)	Increase	\$747,840	33%	The budget proposes a \$17 per unit per month assessment increase.
Benefit Fees	Decrease	(\$150,000)	-9%	Reduced to 2021 amount to reflect declining home sales.
Other	Decrease	<u>(\$15,006)</u>	-3%	Net change in fees, registrations, facility rentals etc.
Total Change	Increase	<u>\$582,834</u>	13%	

Expenses

Aside from increases in the following areas, departmental expenditures have overall decreased compared to 2022 budget. Factoring in rising costs of doing business, the impact of these reductions is deeper than reflected.

Item	Impact	Amount	% Change v. 2022 Budget	Notes
Personnel (salaries, benefits, 401k, payroll tax)	Increase	\$327,828	13%	New shared IT position and other positions allocated through MF, 22% increase in med benefits, minimal compensation study related pay increases
Reserve Fund Contribution	Increase	\$264,444	93%	Board direction to focus on securing sufficient funding level long-term.
Capital Fund Contribution	Decrease	(\$24,000)	-100%	Funded by benefit fee revenue in excess of budget amount.
Other	Increase	\$14,562	<1%	Net change in administration, communication, community engagement, events/programming and community centers.
Total Change	Increase	<u>\$582,834</u>	13%	

Reserves

The Board set an expectation to designate a portion of the monthly assessment to funding the Reserve. The Board's proactive, long-term vision for ensuring that the Reserve maintains a minimum of an 80% funding level is a significant driver of the proposed assessment increase. Out of the \$69 assessment, \$12.43 is dedicated to Reserves, an increase of \$6 over 2022. The Board anticipates an additional assessment increase in 2024, in part to raise the allocation to the Reserve by at least another \$4.

Management Fee

The management fee covers shared costs between Ranch Association, Covenant Commission, and Community Council such as office space, community patrol, and personnel. Sharing in these expenses allows all three entities to serve the community more efficiently. The administration budget reflects two employees that will be fully allocated to the Covenant Commission through the management fee plus several team members (finance, for example) who have a significant portion of their salary reallocated to the other organizations. It also reflects the IT manager, new in 2022,

which is a shared expense. The Council's portion of the Ranch Association's community patrol and gate access contract will increase as well as other shared expenses such as office lease.

Summary and Next Steps

A narrative of the budget impacts is attached. A comprehensive budget power point will be presented at the Oct. 20 meeting, followed by Board discussion. After the Oct. 20 budget meeting, staff will make any additional to the changes per Board direction, for Board consideration and vote at the Nov. 3 meeting. Following Board approval of a budget on Nov. 3, staff will prepare and distribute the budget to residents (jointly with the Ranch Association) in late November.

Attachments

- 2023 Proposed Operating Budget Summary
- Planning for the Future Budget Narrative
- Assessment History
- Capital Projects Balance
- Reserve Memo and Attachments

DC RANCH COMMUNITY COUNCIL

2023 Operating Budget

Proposed 10/20/2022

	2023 Budget	2022 Projected	2022 Budget	2023 Budget v. 2022 Budget
INCOME				
Residential Assessments	\$ 2,259,612	\$ 1,699,854	\$ 1,702,896	\$ 556,716
Commercial Assessments	780,804	605,280	589,680	191,124
Community Benefit Fees	1,500,000	2,977,895	1,650,000	(150,000)
Total Assessment Revenue	4,540,416	5,283,029	3,942,576	597,840
Community Events Registration	70,595	21,152	152,780	(82,185)
Club/Class Registration	48,033	39,063	25,780	22,253
Arts & Education	20,275	20,782	23,741	(3,466)
Total Program Revenue	138,903	80,997	202,301	(63,398)
Community Center Rentals	13,100	19,400	20,200	(7,100)
Community Garden	-	5,280	5,280	(5,280)
Total Facilities Revenue	13,100	24,680	25,480	(12,380)
Management Fee	377,040	314,460	314,460	62,580
Advertising	7,200	7,560	7,200	-
Interest	600	4,756	433	167
Other Income (CFD, key fobs, misc)	12,475	20,569	14,450	(1,975)
Total Other Income	397,315	347,346	336,543	60,772
Total Operating Income	5,089,734	5,736,051	4,506,900	582,834
EXPENSES				
Personnel Expenses	2,821,802	2,453,656	2,493,974	327,828
Administration	442,591	411,531	419,624	22,967
Employee Relations & Training	66,529	49,360	63,419	3,110
Total Administrative Expense	3,330,922	2,914,546	2,977,017	353,905
Events/Clubs/Classes	381,467	293,704	343,954	37,513
Charitable Events	50,000	-	117,500	(67,500)
Communications/Community Engagement	109,560	113,257	129,913	(20,353)
Arts & Education Programs	59,375	43,721	61,225	(1,850)
Total Program Expense	600,402	450,683	652,592	(52,190)
Desert Camp Community Center	329,271	296,088	301,080	28,191
The Homestead Community Center	119,483	109,041	124,188	(4,705)
Seasonal Decorations	78,500	66,775	66,775	11,725
Market St Park/Paths & Trails	36,560	26,564	39,394	(2,834)
Total Facilities Expense	563,814	498,467	531,437	32,377
Insurance (non-EE) & Taxes	45,960	40,125	37,752	8,208
Other Expenses	920	648	830	90
Total General Expense	46,880	40,773	38,582	8,298
Total Operating Expense	4,542,018	3,904,469	4,199,628	342,390
Net Operating Income/(Loss)	547,716	1,831,582	307,272	240,444
Reserve & Capital Contributions	(547,716)	(2,007,272)	(307,272)	(240,444)
Transfers In/(Out)	(547,716)	(2,007,272)	(307,272)	(240,444)
Net Operating Surplus/(Deficit)	\$ -	\$ (175,690)	\$ -	\$ -

DC Ranch Community Council Budget 2023: Planning for the Future

The leadership of DC Ranch is committed to maintaining DC Ranch as a highly desirable community. The Council Board and staff undertook the 2023 budget process with rigor, evaluating each revenue and expense line individually. To sufficiently fund reserves, accommodate rising expenses, and ensure that DC Ranch remains a financially sound, quality community, now and into the future, the Council budget reflects an increase in assessments to \$69/month (from \$52), the first increase in three years. Factors influencing the increase are described below.

The Council generates revenue from several sources, including benefit fees, residential and commercial assessments, and rentals. Benefit fees are generated from ½% of the resale value of every property in DC Ranch. The strong housing market over the past two years led to increased benefit fee revenue for the Community Council, which supported operations and reserves. This also enabled the Council to build the community's capital fund, the sole source for the planned renovations at Desert Camp Community Center. However, the housing market has slowed considerably resulting in significantly reduced benefit fee revenue. The Council budget reflects this reduction of revenue.

A significant driver of the Council budget is long-term funding of the reserve, which is dedicated to repair and replacement of existing assets. Strong benefit fees in recent years enabled the Council Board to defer an assessment increase for reserves. The Council Board is committed to ensuring a well-funded reserve, a critical benchmark for financial health of a community and for funding to maintain assets that are in many cases over twenty years old. \$12.43 of the assessment (18%) will be dedicated to the reserve. A second reserve-related increase is expected in 2024. Together, these increases will ensure that the reserve is funded at the Council's required funding level of 80% level well into the future.

Council is no different than other industries also experiencing rising costs across the board. Key drivers of increases in this year's assessments are funding the reserve (described above), higher personnel costs (13% increase), and increase in contracted services and supply costs. Examples of the latter include pool chemicals (up 400%), food for events (up 20%), plastics/disposable supplies (up 25%), gas and diesel fuel (up 56%), utilities (up 4%), and vendor costs (up 15%+).

While many costs are increasing 15% and higher, the Council budget overall represents a 13% increase, commensurate with current inflation rates. This reflects efficiencies integrated into the budget, including cost sharing with the Ranch Association and utilization of state contract purchase pricing. Reductions in expenses were made across all departments.

The Council gathered assessment data from similar communities and found that DC Ranch remains on the low end of assessments for the community amenities and services offered. Council Board and staff will continue to be prudent in their use of resident funding.

The Council Board has approved the Desert Camp enhancement project and believes it is necessary to situate DC Ranch as a relevant, vibrant community with excellent amenities, essential to protecting property values and remaining a quality place to call home for current and future homebuyers. While this expansion project will likely result in a modest assessment increase in the future, it will not impact assessments in 2023. Both rental revenues and operating expenses are anticipated to be reduced in 2023 while the facility is under construction.

The proposed 2023 Council budget, while lean, offers the continuation of high-quality programs, facilities and services that residents have come to expect and enjoy.

DC Ranch residents are encouraged to attend the Oct. 20 Council budget meeting to learn more.

DC Ranch Community Council

History of Assessment Rates

for years 1998-2022

Year	Rate	% Increase
1998	16.50	
1999	16.50	0.00%
2000	19.47	18.00%
2001	23.36	19.98%
2002	23.85	2.10%
2003	25.04	4.99%
2004	25.66	2.48%
2005	25.66	0.00%
2006	25.66	0.00%
2007	31.00	20.81%
2008	37.00	19.35%
2009	38.00	2.70%
2010	40.00	5.26%
2011	40.00	0.00%
2012	40.00	0.00%
2013	40.00	0.00%
2014	40.00	0.00%
2015	40.00	0.00%
2016	43.00	7.50%
2017	45.00	4.65%
2018	47.00	4.44%
2019	49.00	4.26%
2020	52.00	6.12%
2021	52.00	0.00%
2022	52.00	0.00%

DC Ranch Community Council

Rolling Balance for Current Capital Projects

as of 9/30/2022

Date of BOD		Approved	Expenses	Remaining
Approval	Project Description	Amount	Paid	Balance
11/4/2020	Community Center access - key fobs, 7,500 ID cards, printer and ink	30,000.00	-	30,000.00
3/24/2022	Build Design Contract with Haydon/Architekton	838,270.00	(159,403.85)	678,866.15
5/26/2022	Master Plan expenses (non-contract)	25,000.00	(11,158.53)	13,841.47
	Total			<u>\$ 722,707.62</u>



DC Ranch Community Council

To: DC Ranch Community Council Board of Directors
From: Jenna Kohl, Executive Director
Date: 9/29/2022
Subject: *Reserve Fund Parameters*

For the past several years, the Council has been able to defer the increase of assessments while ensuring sufficient reserve contributions in the short-term due to the transfer of excess benefit fees into the Reserve Fund. In past years, our target was to increase the contribution to reserves by at minimum of 3% (with 5% the ideal) per year; we budgeted 3% in most years, a decline of -1.6% one year. It was acceptable at the time to utilize transfers to defer assessment increases. With benefit fees on a significant decline, we can no longer rely on this source to supplement the reserves. Therefore, identifying a portion of the assessments and assessment increases to ensure adequate funding of the Reserve is critical.

Currently, the 2023 budget includes a \$12.43 assessment allocation (out of the proposed assessment of \$69) designated to Reserve, an increase of \$6 over 2022.

The board's financial management policy requires that we:

Maintain a Reserve Fund of a minimum of funding level of 80% at all times, based on the schedule dictated by the most recent reserve study. If at any time the Fund is temporarily below the funding requirement, the Executive Director must provide a plan to the Board of Directors to restore it to the minimum funding level set forth.

In past work sessions, we have discussed how changing parameters can influence the percent funded. Currently, the following parameters are employed in our reserve software:

- Inflation (applied to all years): 3.5% (currently, inflation rate in AZ is closer to 13%)
- Growth of contributions: This has been at approx. 3% year over year. However, with the increases of dedicated funds to the reserve in 2023 and 2024, no further increase will be necessary for the near future. A comprehensive on-site reserve study in 2025, which will capture the new DCSIP reserve elements, will provide direction on necessary increases moving forward.
- Interest has been set at .15%. However, we anticipate adjusting this to between 1 and 2%. Best practice suggests setting interest at an average over time, and not adjusted to current and temporary trends.
- % Funded allocation based on future cost straight line (previously current cost straight line)

Staff plans to contract for a full, on-site, third-party reserve study in 2025, once the Desert Camp Site Improvement project is complete. This will verify that all necessary components are included, our parameters are accurate, and estimated useful life and service dates are on target.



2022 Community Council Reserve List

Location:

DC - Desert Camp

TH - The Homestead

P & T- Path and Trail

MSP - Market Street Park

Completed Items	Cost
Seal Coating Parking Lot- DC	\$1,988
Concrete Pads and Sealant for Splash Pad-TH	\$5,022
New Holiday Lights -DC and TH	\$29,150
Pool Deck Repair- DC	\$2,034
Pool Covers-DC	\$5,260
Trailer Replacement -Ranch-Wide	\$10,236
Fitness Equipment -DC	\$14,167
Upper Patio Exterior Paint	\$3,851
Pedestrian Bridge Replacement- DC	\$42,624
West Cabana Main Beam Replacement and Paint-DC	\$22,274
Resod- MSP	\$20,179
Shade Structure Painting-TH	\$4,175
Splash Pad Resurface-MSP	\$5,723
Roofing Repairs-TH and DC	\$25,980
Exterior Replacement Furniture	\$7,685
Plyground Surface Recoat- TH	\$1,630

In progress Items	Cost
Replacement Umbrellas- DC	\$1,945
Community-Wide Survey	\$4,200

Projected to begin in 2022	Estimated Cost
Built-In Barbeque Replacement-DC	\$5,133
Cabana Drapes Replacement	\$5,110
Door Replacement-TH	\$30,000
Door Sand, Stain, Refinish-TH	\$20,000
Office Furniture Replacement-TH	\$20,000
Landscape Refurbish-TH	\$5,000
Partial Path Replacement- P & T	\$12,000
Replacement AED-DC and TH	\$6,000
Parking Lot Stall Paint and Re-Seal-DC	\$2,600

Total Reserve Expense through September 2022 (rounded) \$208,200

Remaining Estimated Expense \$105,840

Total Estimated Reserve Expense in 2022 \$314,040



Location:

DC - Desert Camp

TH - The Homestead

P & T- Path and Trail

MSP - Market Street Park

Admin- Administration Office

2023 Community Council Reserve List

Description	Estimated Cost
Concrete Bridge Crossing-Maintenance- DC	\$2,070
Concrete Curbing- DC	\$2,588
Concrete Patio and Paths- MSP	\$10,350
Concrete Patio and Paths- P & T	\$26,910
Concrete Patio and Paths- DC	\$15,525
Cushioned Tot Maint - DC	\$3,105
Drinking Fountains- DC*	\$6,210
Fencing-Chain Link 10'- DC*	\$15,525
Interior Furniture- Admin	\$5,175
HVAC- DC*	\$31,050
HVAC-TH	\$55,000
Light Fixtures- DC*	\$4,347
Lighting Replace- TH	\$10,557
Office Furniture- DC**	\$10,350
Roofing- Tile Maint. -TH	\$1,035
Shade Screen Replacement- DC*	\$1,346
Thermostats- WiFi- DC**	\$3,105
Thermostats- WiFi- TH	\$4,140
Touch Screen Monitor- Admin	\$6,210
Tree Replacement- Monument- MSP	\$7,245
Wood Deck Replacement- MSP	\$57,546

\$279,389

Defer

Restroom Remodel- TH	\$34,931
Concrete Curbing- TH	\$2,588
Interior Furniture- TH	\$20,700
Mist System Nozzles- DC	\$1,926
Painting- Pool Fence- DC	\$2,743
Kool Deck Maintenance- DC	\$7,763
Pool Plaster Resurface-Tot- DC	\$11,378

\$82,029

* = will be concurrent with DCSIP construction but separate from construction contract

** = will be included with DCSIP construction package