2027 DC Ranch Community Council Budget Work Session Recap

2027 Operating Fund	Increase vs. 2026	Assessment Change	Benefit Fee Allocation
$6,348,545	$226,099 / 3.7%	+ $2.50/mo. per unit	$1.9M / +$200,000

Key Revenue Changes	2027 Change v. 2026 Budget	Why
Assessments	+ $110,804 / 3.0%	A $2.50 monthly assessment increase, including a $0.50 increase in reserve contributions.
Benefit Fees (Represents 0.5% of every sale in DC Ranch).	+ $200,000 / 11.8%	Increase in the Benefit Fee allocation to operations from $1.7M to $1.9M representing 30% of the operating budget (consistent with market standards).
Cost Share Reimbursement	($89,666) / (21.5%)	Net decrease resulting from changes in allocation percentages in cost-shared staff, common services and supplies.
Interest	+ $9,975 / 23.8%	De minimis change Year over Year (YoY)
All other, net	($5,014)	De minimis change YoY.
Total Revenue Change	+ $226,099 / 3.7%	

Key Expense Changes	2027 Change v. 2026 Budget	Why
Personnel	+ $167,101 / 5.2%	Employee health care benefit costs are projected to increase 9%; one position dedicated to Covenant Commission is added, offset by cost-share reimbursements; and salary increases consistent with current market conditions.
Administrative Expenses	+ $28,276 / 7.2%	Administrative expenses would otherwise decrease in 2027; however, the budget includes an increase in legal reserves.
Facilities and Occupancy	($49,754) / (5.7%)	Decrease in non-recurring costs from 2026.
Reserve Fund Contribution	+ $22,200 / 3.0%	$0.50 monthly increase ($16.50 to $17.00) in contribution to the Reserve fund.
Insurance/Other	+ $50,864 / 37.6%	The budget increase is primarily due to a prior budget calculation adjustment of approximately $54,000. The underlying year-over-year insurance cost increase is expected to be nominal, with 2027 premiums currently estimated at approximately 3% above 2026 actual expense.
All other, net	+ $7,412	De minimis change YoY.
Total Expense Change	+ $226,099 / 3.7%	

Resident Q&A

Communicating budget information to residents

What information or materials can staff provide to help Neighborhood Voting Members (NVMs) explain these budget items and increases to their neighbors? The Council encourages NVMs to share the Zoom recording of the budget work session, the presentation, and this Q&A document. Additionally, the 2027 Budget Letter outlining the approved 2027 budget will be emailed by the end of November. If residents have any additional questions, they can contact Council Director of Finance and Administration Mitch Gens or Executive Director Jona Davis.

Personnel costs and budget increases

What is included in personnel costs beyond payroll? Specifically, do these costs include administrative expenses, liability insurance, employee reinvestment or development, or other items? Can staff provide a detailed breakdown of personnel expenses and explain the primary drivers of the increase? Personnel costs have increased by more than 5%, compared with a Consumer Price Index increase of approximately 3.5%. What accounts for the difference?

Personnel costs include only four items: salaries and wages, payroll taxes, health benefits, and the employer 401(k) contribution. In determining employee compensation, the Council considers many factors including CPI increases for the region, labor market competitiveness, open positions and turnover experience, and periodically benchmark compensation against peers and similar communities. No individual factor outweighs the other, and the Council follows a multi-year competitive compensation strategy, under the adequate and proper governance of the Board including performance reviews for the Executive Director. The primary factors that contribute to the personnel increase are (1) employee benefit costs are projected to increase 9% and (2) one full-time position dedicated to Covenant Commission is added, offset by cost-share reimbursements. Under a 2022 agreement, Covenant Commission employees are employed through the Community Council. Other cost-sharing changes also affect the final net increase.

Staffing levels and hiring

Have all positions been filled, or does the Council anticipate hiring more personnel? Are there any vacancies, planned new positions, or anticipated staffing changes? The only staffing change in the 2027 budget is the addition of one position for the Covenant Commission (see above). No other new positions are proposed at this time although facts and circumstances can change and warrant a further review. Two budgeted Council positions are vacant and are expected to be filled by 2026 calendar year-end.

Artificial intelligence (AI) and cost savings

How is the Council evaluating and using AI to improve efficiency and manage personnel costs, and has staff assessed the potential benefits, cost savings, and implementation costs? If a formal cost-benefit analysis has been completed, can it be shared; if not, is one planned? The Council takes its responsibility to adopt technology in a prudent manner seriously. Similar to other organizations, Council has adopted AI to the extent it is practical, reliable and cost efficient. The business community continues to study the benefits and risks of adoption of AI, including cyber security, data center needs, increasing token costs, etc. Council is monitoring these topics and believes a cost-benefit analysis would be prudent to undertake in the foreseeable future as further clarity on these topics becomes available.

DC Ranch

Other expenses

What categories make up the "Other Expenses" line item, and what accounts for the significant increase? Other Expenses primarily include non-employee insurance (General Liability, Property, Cyber, Director & Officers, Auto). The budget increase is primarily due to a prior budget calculation adjustment of approximately $54,000 for non-employee insurance. The correction was made for 2027, so the underlying year-over-year insurance cost increase is expected to be nominal.

Revenue and benefit fees

Can staff provide a clearer breakdown of all revenue sources included in the budget, particularly benefit fees?

Revenue Source	2027 Budget	2026 Budget	Y/Y Change $	Y/Y Change %
Council Assessments	$3,795,008	$3,684,204	$110,804	3.0%
Community Benefit Fees	$1,900,000	$1,700,000	$200,000	11.8%
Community Programming	$137,117	$140,871	-$3,754	-2.7%
Costs Share Reimbursement	$327,155	$416,821	-$89,666	-21.5%
Facilities	$28,510	$24,570	$3,940	16.0%
Other (Interest, Advertising, CFD, etc.)	$160,755	$155,980	$4,775	3.1%
Total	**$6,348,545**	**$6,122,446**	**$226,099**	**3.7%**

What is the actual budgeted amount for Benefit Fee revenue, and how is that revenue accounted for? Benefit fees are variable in nature since such collections depend on home sales in the community and, as a result, are not budgeted. Consistent with benchmarks and market standards, the first $1.9M of the benefit fees are allocated to the Operating Fund for 2027. All remaining benefit fees exceeding $1.9M are transferred to the Capital Fund.

Operating funds, reserves, and capital

Can staff clarify how revenue is allocated among operating expenses, reserves, and capital expenditures? The Community Council uses fund accounting to separate resources according to their intended purpose, supporting responsible financial management and ensuring that dollars are allocated appropriately. Not every dollar in the Community Council budget is interchangeable; funds are restricted to the appropriate fund allocation. The Operating Fund supports the services and experiences residents interact with every day. The Reserve Fund is for major repair and replacement of *existing* assets. The Capital Fund supports investment in *new* assets.

Can the budget presentation be reconciled so residents can understand total incoming revenue and how the various funds are being used? The operating budget is self-balanced (i.e. funded with revenues described in the table above to break even). Approximately $750,000 of the revenues are allocated to the Reserve fund and any excess benefit fees are allocated to the Capital fund.

Community Facilities District (CFD) and property taxes

Where does the CFD property tax appear in the Council budget, and how does it affect residents' total cost of living? The CFD is a separate tax district of the City of Scottsdale, so its tax is not part of the Council budget. DMB and the City formed it in 1997 to finance DC Ranch parks, paths, trails, roads and athletic fields, which were dedicated to the City. The Scottsdale City Council sets the levy each year, and Maricopa County collects it. The only CFD money the Council receives is the City's reimbursement for path and trail maintenance: $107,000 in 2026, included in Other Income. The Ranch Association performs the work, and the Council reimburses it through the cost-share agreement. The CFD tax will decrease significantly after the bonds are repaid on July 15, 2027. Visit ScottsdaleAZ.gov for details.

How should this CFD property tax be considered when evaluating the total cost of living in DC Ranch? The CFD tax decreases significantly after July 15, 2027, when the bonds are fully repaid. For FY2026/27, the CFD rate is about $0.29 per $100 of assessed value, which equates to approximately $500 a year for an average property. About 90% of that repays the bonds. After that, only the maintenance levy (about $0.027 per $100) will continue. That amount is roughly $46 a year for the average DC Ranch homeowner.

	FY2026/27	After July 15, 2027
Rate per $100 of assessed value	about $0.29	about $0.027
Average annual cost per home	about $500	about $46

Can staff explain the background of the CFD obligation and how it affects residents? DMB, the developer, and the City of Scottsdale formed the CFD in 1997. The bonds paid for DC Ranch infrastructure, including parks, paths, trails, roads, and athletic fields, which were dedicated to the City of Scottsdale. The Scottsdale City Council serves as the CFD board and sets the levy each year. Under the agreement, DC Ranch maintains the paths and trails and is partly reimbursed by the City, and that obligation continues after the bonds are repaid.

Council assessments and governance

Residents pay approximately $1,000 annually in Council assessments. Why are residents required to pay Council assessments, and why don't they directly elect Council Board members? Council assessments fund a variety of missions of the Council including providing a high quality of life to the residents through operating and staffing both DC Ranch Community Centers, maintaining Market Street Park and the paths and trails, and providing DC Ranch programs, events, communications, amenities, and initiatives. The Ranch Association does not pay for these services. The Council's Bylaws set out how directors are chosen. Under Section 4.3(a), as amended, the sitting Board appoints each successor director by majority vote at the annual meeting, for a three-year term. Interested residents are encouraged to apply for open Council Board positions and are subject to a rigorous but fair process of selection.

Under the Arizona Planned Communities Act, what rights do residents have regarding the election of Council board members? Arizona's Planned Communities Act establishes statutory requirements for planned community associations, including certain member meeting, voting, and election rights. Because the Community Council does not have mandatory members, it is not a Planned Community subject to the Planned Communities Act. Therefore, the election process for the Community Council is governed by its governing documents.

Why can't residents directly elect Council Board members, and what is the legal or governing-document basis? The Council's governing documents establish Board appointments. The Bylaws provide that successors are appointed by a majority vote of the sitting Board at the annual meeting for three-year terms. Arizona law permits a nonprofit corporation without members to select directors as its articles or bylaws provide.

How does the Council's governance and election structure differ from that of the Ranch Association, including the rights of residents and members? DC Ranch has separate governing entities with distinct responsibilities and governance structures. Although residents contribute through mandatory assessments, assessment obligations do not necessarily confer identical membership, voting, or director-election rights in every governing entity. Those rights depend on the applicable declarations, bylaws, and Arizona law. The two structures are intended to serve complementary purposes: the Council provides community-wide leadership and services, while the Ranch Association provides homeowner representation and oversight of its assigned operational responsibilities. The official DC Ranch governance overview describes the distinct missions of the three entities (Community Council, Covenant Commission and Ranch Association), and the governing documents are published online.

DC Ranch®