# Building the 2027 Budget

## Priorities, Assumptions & the Budget Process

NVM Lunch & Learn – Session 1
Friday, October 9, 2026 | Desert Camp Community Center



Scott B. Levy, MBA, CMCA, CPP
Chief Administrative Officer



Kim Visser, CMCA, AMS, SPHR
Chief Operating Officer



Phillip Christensen, CPA
Senior Director of Finance

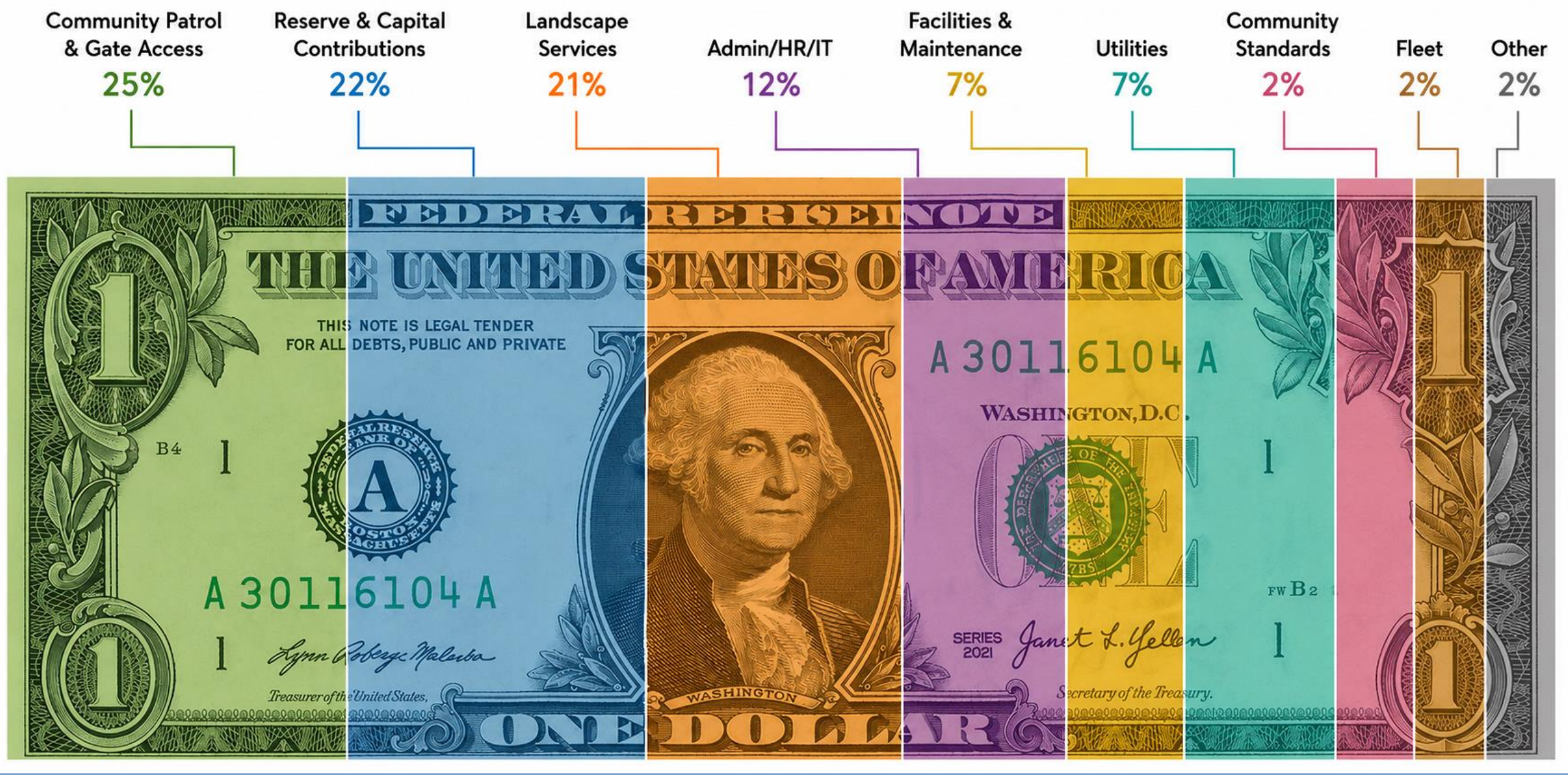
# Today’s Conversation

A 60-minute look at where we are, what is driving the budget, and what comes next.

- ❑ Current Financial Update — Phillip Christensen
- ❑ 2027 Project & Infrastructure Priorities — Kim Visser
- ❑ Board Core Budget Assumptions — Scott Levy
- ❑ Budget Review Timeline & Next Steps
- ❑ Questions & Discussion

# What Session 1 Is Designed to Do

- ❑ Explain the priorities and assumptions shaping the FY2027 budget.
- ❑ Provide a current financial snapshot — while the budget is still being refined.
- ❑ Connect 2027 spending decisions to infrastructure, service levels and long-term sustainability.
- ❑ Show how NVM and Finance Committee input fits into the review process.
- ❑ Session 2 on October 26 will focus more directly on proposed assessments, reserves and neighborhood impact.


Community Patrol & Gate Access
25%
Reserve & Capital Contributions
22%
Landscape Services
21%
Admin/HR/IT
12%
Facilities & Maintenance
7%
Utilities
7%
Community Standards
2%
Fleet
2%
Other
2%
FEDERAL RESERVE NOTE
THE UNITED STATES OF AMERICA
THIS NOTE IS LEGAL TENDER
FOR ALL DEBTS, PUBLIC AND PRIVATE
A 30116104 A
WASHINGTON, D.C.
SERIES 2021
Janet L. Yellen
Secretary of the Treasury.
Lynn Malerba
Treasurer of the United States,
WASHINGTON
ONE DOLLAR

DC Ranch®

Ranch Association

FINANCIAL HEALTH AT A GLANCE

# FINANCIAL DASHBOARD

## AUGUST 31, 2026

For the Month and YTD Ending August 31, 2026

YEAR-TO-DATE (YTD)
AUGUST 31, 2026

### TOTAL OPERATING INCOME (YTD)

**$8.15M**

Budget: $8.02M

**+ 1.7%**

vs Budget

### TOTAL OPERATING EXPENSES (YTD)

**$7.49M**

Budget: $7.91M

**- 5.3%**

vs Budget

### OPERATING NET INCOME (YTD)

**$660K**

Budget: $106K

**+521.0%**

vs Budget

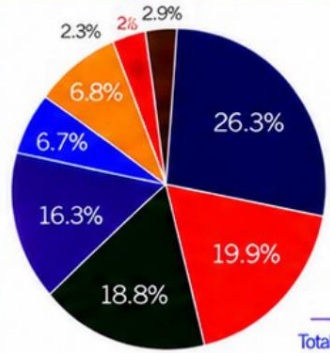
### TOP 5 EXPENSE VARIANCES TO BUDGET (YTD)

| CATEGORY | VARIANCE $ |
|---|---|
| General Contingency | $ (221.6K) |
| Personnel Expenses | $ (161.1K) |
| Landscape Services | $ (95.2K) |
| Fleet | $ 43.8K |
| Legal / Professional Fees | $ 85.8K |
| Total Variance (YTD) | $ (418.4K) |

### WHERE THE MONEY COMES FROM (YTD)

| | |
|---|---|
| Assessments | 93.9% |
| Lot Sale Fees | 1.3% |
| Fees & Other Income | 1.2% |
| Interest Income | 0.4% |
| Other Income (Misc.) | 3.2% |

### WHERE THE MONEY GOES (YTD)




| | | |
|---|---|---|
| Security | $1.97M | (26.3%) |
| Reserve Contribution | $1.49M | (19.9%) |
| Landscape Services | $1.41M | (18.8%) |
| Administration | $1.22M | (16.3%) |
| Facilities Maintenance | $0.50M | (6.7%) |
| Utilities | $0.51M | (6.8%) |
| Community | $0.17M | (2.3%) |
| Fleet | $0.22M | (2.9%) |
| Total Operating Expenses (YTD) | $7.49M | (100%) |

### CASH ON HAND (LIQUIDITY)

30 to 90 days of average monthly budgeted operating expenses




OF CASH ON HAND
TARGET: 3 MONTHS

### RESERVE BALANCE BY NEIGHBORHOOD (Total: $14,417,320)

| | | | | | |
|---|---|---|---|---|---|
| 1. | Windgate | $2,695,709 | 11. | Estates | $382,685 |
| 2. | Market St. Villas | $1,694,830 | 12. | Terrace Homes West | $349,348 |
| 3. | Ranch Association | $1,613,301 | 13. | Pioneer | $326,773 |
| 4. | Horseshoe Canyon | $1,759,838 | 14. | Montelana | $231,370 |
| 5. | Country Club | $1,309,166 | 15. | Rosewood | $131,182 |
| 6. | Arcadia at Silverleaf | $1,214,850 | 16. | Desert Haciendas | $113,077 |
| 7. | Camelot | $888,467 | 17. | Sterling Estates | $49,017 |
| 8. | Park & Manor Homes | $798,819 | 18. | Icon | $5,852 |
| 9. | Haciendas | $458,629 | | | |
| 10. | Terrace Homes East | $394,408 | | | |

(Amounts in Millions rounded to the nearest dollar)

### TOP 5 RESERVE EXPENSES (YTD)

| CATEGORY | ACTUAL $ |
|---|---|
| Asphalt Pavement & Seal Coat Repairs | $412,428 |
| Gate Repairs | $229,518 |
| Playground Replace & Repair | $78,479 |
| Concrete Sidewalks | $26,680 |
| Landscape Plants/Trees/Turf | $18,857 |
| Total Reserve Expenses (Top 5) | $765,962 |

### BALANCE SHEET SNAPSHOT

AS OF AUGUST 31, 2026

TOTAL ASSETS
**$18.22M**
Strong asset base

TOTAL LIABILITIES
**$1.67M**
Low leverage

NET ASSETS
**$16.55M**
Healthy equity position

All amounts are unaudited and subject to change.

# Current Financial Update

Phillip Christensen | Senior Director of Finance

**$12.44M**

**2027 Consolidated Expenses**

+3.9% vs. 2026

**$11.88M**

**Assessment Revenue**

+3.3% vs. 2026

**$2.32M**

**General Reserve Contributions**

+3.9% vs. 2026

**3.9%**

**Expense Increase**

Current working draft

The budget remains a working draft and will continue to change as outstanding assumptions are finalized.

The objective is not simply to hold a percentage — it is to fund priorities responsibly while challenging assumptions and identifying efficiencies.

Source: FY2027 Draft Budget Workbook dated September 30, 2026

# What Is Changing in the 2027 Draft?

- Updated reserve studies are incorporated for Ranch Master and all neighborhoods.
- Ranch Association cost-sharing expense is significantly reduced; Covenant Commission cost sharing ends January 1, 2027.
- Corporate insurance renewal pricing remains outstanding and current amounts are placeholders.
- Healthcare plan design and final renewal pricing remain outstanding.
- The budget will continue to be refined as actual renewal information and other final inputs become available.

# Reserve Studies: Planning for Long-Term Needs

A reserve study identifies major components, anticipated replacement timing and recommended funding.

### WHAT IT COVERS

Roadways, playgrounds, walls and other common-area assets

### WHAT CHANGED

Updated studies completed for Ranch Master and every neighborhood

### WHY IT MATTERS

Provides a consistent basis for future projects and reserve contributions

Advanced Reserve Solutions completed updated studies; revised neighborhood studies will be shared with NVMs following Session 1.

Reserve studies inform planning; final timing and funding decisions remain subject to review and Board action.

# DCRA - Arcadia at Silverleaf T7

## Executive Summary

## Directed Cash Flow Method

**Client Information**

| | |
|---|---|
| Account Number | 5774ASL |
| Version Number | 001 |
| Analysis Date | 10/16/2025 |
| Fiscal Year | 1/1/2026 to 12/31/2026 |
| Number of Lots | 123 |

**Global Parameters**

| | |
|---|---|
| Inflation Rate | 3.00% |
| Annual Contribution Increase | 2.50% |
| Investment Rate | 3.00% |
| Taxes on Investments | 0.00% |
| Contingency | 0.00% |

**Community Profile**

The common area components for this neighborhood were substantially completed in 2007. Refer to the Component Detail section of this report for the dates used to age each reserve component. The projected reserve balance calculation follows:

Reserve Balance as of 6/30/2025: $1,070,288
Remaining 2025 Contribution to Reserves: $104,796 ($17,466/month x 6 months remaining)
Remaining 2025 Reserve Expenses: $2,800 (Reserve Study Fee) $41,245 (Gate Equipment)
Projected Reserve Balance as of 1/1/2026: $1,131,039

Completed Reports: October 2025

**Adequacy of Reserves as of January 1, 2026**

| | |
|---|---|
| Anticipated Reserve Balance | **$1,131,039.00** |
| Fully Funded Reserve Balance | **$1,149,295.19** |
| Percent Funded | **98.41%** |

| Funding for the 2026 Fiscal Year | Annual | Monthly | Per Lot Per Month |
|---|---|---|---|
| Member Contribution | **$116,500** | **$9,708.33** | **$78.93** |
| Interest Contribution | **$30,136** | **$2,511.37** | **$20.42** |
| Total Contribution | **$146,636** | **$12,219.71** | **$99.35** |



## DCRA - Arcadia at Silverleaf T7

Scottsdale, Arizona
123 Lots
12/31/2026 Fiscal Year End

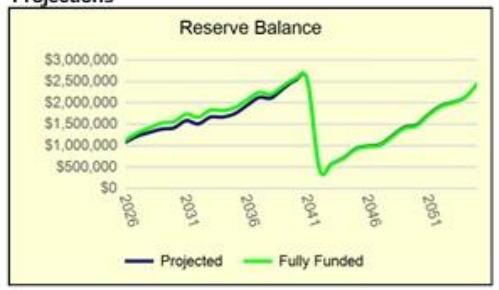
**Adequacy of Reserves as of 01/01/2026**

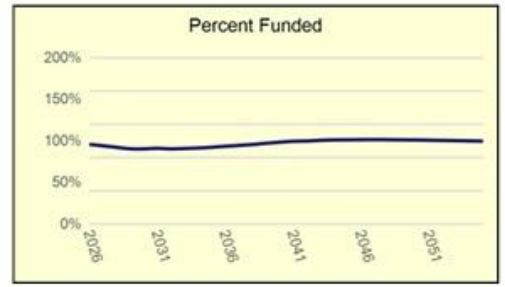
| | |
|---|---|
| Percent Funded | **98.41%** |
| Reserve Fund Balance | **$1,131,039.00** |
| Fully Funded Balance | **$1,149,295.19** |
| Deficit per Lot | **$148.42** |

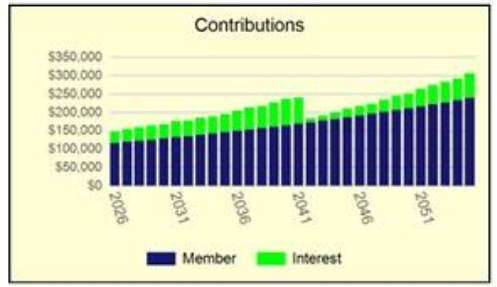
**Reserve Funding for 2026**
**Directed Cash Flow Method**

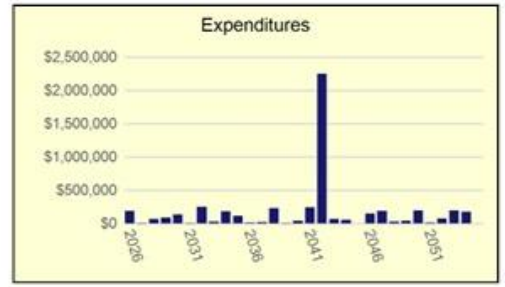
| | Annual | Monthly | Per Lot Per Month |
|---|---|---|---|
| Member Contribution | **$116,500** | **$9,708.33** | **$78.93** |
| Interest Contribution | **$30,136** | **$2,511.37** | **$20.42** |
| Total Contribution | **$146,636** | **$12,219.71** | **$99.35** |

**Projections**



## DCRA - Arcadia at Silverleaf T7
### Distribution of Current Reserve Funds
### Sorted by Remaining Life; Alphabetical

| | Remaining Life | Fully Funded Balance | Assigned Reserves |
|---|---|---|---|
| Asphalt: Crack Fill & Seal Coat (2026) | 0 | $126,085.00 | $126,085.00 |
| Grounds: Drainge Improvements | 0 | $28,750.00 | $28,750.00 |
| Grounds: Landscape & Plant Enhancements | 0 | $3,000.00 | $3,000.00 |
| Grounds: Tree Maintenance | 0 | $20,000.00 | $20,000.00 |
| Guardhouse: Electronics | 0 | $7,500.00 | $7,500.00 |
| Paint: Ramadas | 0 | $8,000.00 | $8,000.00 |
| Grounds: Concrete Components (Repairs) | 1 | $6,000.00 | $6,000.00 |
| Kemper Park: Drinking Fountain | 1 | $3,800.00 | $3,800.00 |
| Grounds: Turf Renovation | 2 | $10,000.00 | $10,000.00 |
| Thompson Peak Entrance: General Equipment | 2 | $9,047.62 | $9,047.62 |
| Thomspon Peak Entrance: Gate Operators, Cameras, Laser Eyes | 2 | $37,316.90 | $37,316.90 |
| Paint: Stucco Walls, Entrance Gates, Guardhouse | 3 | $25,000.00 | $25,000.00 |
| Walls & Fencing: Repairs | 3 | $5,000.00 | $5,000.00 |
| Asphalt: Crack Fill & Seal Coat (2030) | 4 | $0.00 | $0.00 |
| Legacy Park: Drinking Fountain | 4 | $3,304.35 | $3,304.35 |
| Guardhouse: Flat, Modified Bitumen Roof (Replace) | 6 | $3,648.00 | $3,648.00 |
| Guardhouse: Interior Refurbishment | 6 | $11,400.00 | $11,400.00 |
| Guardhouse: Tile Roof (Replace) | 6 | $12,768.00 | $12,768.00 |
| Kemper Park: Ramada Tile Roof (Replace) | 6 | $7,660.80 | $7,660.80 |
| Legacy Park: Play Components | 6 | $53,200.00 | $53,200.00 |
| Legacy Park: Ramada Tile Roof (Replace) | 6 | $5,016.00 | $5,016.00 |
| Legacy Park: Wood Chip Replenishment | 6 | $0.00 | $0.00 |
| Lighting: Street, Ramada, Guardhouse Light Fixtures | 6 | $34,200.00 | $34,200.00 |
| Legacy Blvd Entrance: General Equipment | 7 | $0.00 | $0.00 |
| Legacy Blvd Entrance: RFID Reader | 7 | $3,733.33 | $3,733.33 |
| Thompson Peak Entrance: RFID Reader | 7 | $3,733.33 | $3,733.33 |
| Asphalt: Crack Fill & Seal Coat (2034) | 8 | $0.00 | $0.00 |
| Grounds: Irrigation Controllers | 8 | $5,600.00 | $5,600.00 |
| Thompson Peak Entrance: Barrier Arm Operator (Resident) | 11 | $1,333.33 | $1,333.33 |
| Thompson Peak Entrance: Barrier Arm Operator (Visitors) | 11 | $1,333.33 | $1,333.33 |
| Asphalt: Crack Fill & Seal Coat (2038) | 12 | $0.00 | $0.00 |
| Guardhouse: HVAC System | 12 | $1,800.00 | $1,800.00 |
| Legacy Blvd Entrance: Barrier Arm Operator | 13 | $666.67 | $666.67 |
| Legacy Blvd Entrance: Gate Operators, Cameras, Laser Eyes | 15 | $0.00 | $0.00 |
| Asphalt: Remove & Replace | 16 | $705,438.51 | $687,182.33 |



## DCRA - Arcadia at Silverleaf T7
### Distribution of Current Reserve Funds
### Sorted by Remaining Life; Alphabetical

| | Remaining Life | Fully Funded Balance | Assigned Reserves |
|---|---|---|---|
| Asphalt: Seal Coat (Ongoing) | 16 | $0.00 | $0.00 |
| Firepit Park: Park Equipment | 16 | $940.00 | $940.00 |
| Kemper Park: Park Equipment | 16 | $1,820.00 | $1,820.00 |
| Legacy Park: Park Equipment | 16 | $2,200.00 | $2,200.00 |
| Grounds: Irrigation System (Unfunded) | n.a. | $0.00 | $0.00 |
| Legacy Blvd Entrance: Gates (Unfunded) | n.a. | $0.00 | $0.00 |
| Thompson Peak Entrance: Gates (Unfunded) | n.a. | $0.00 | $0.00 |
| Asphalt: Standard Comments | n.a. | $0.00 | $0.00 |
| Grounds: Street Signs (Unfunded) | n.a. | $0.00 | $0.00 |
| Contingency | n.a. | $0.00 | $0.00 |
| **Total** | **0-16** | **$1,149,295.19** | **$1,131,039.00** |
| **Percent Funded** | | | **98.41%** |

# 2027 Project & Infrastructure Priorities

Kim Visser | Chief Operating Officer

## Roadways
Preservation and preventative maintenance

## Irrigation
Aging infrastructure and phased replacement planning

## Gates & Access
Modernization, access control and security infrastructure

## Facilities
Maintain and reinvest in community assets and amenities

## Storm Resilience
Recovery, drainage review and risk reduction

## Fleet & Equipment
Planned replacement to support reliable operations

# How We Prioritize Projects

Not every need can or should be addressed in a single budget year.

**Safety & Risk**

**Asset Condition**

**Preventative Maintenance**

**Resident Impact**

**Long-Term Cost**

**Reserve / Funding Plan**

Use multi-year planning where appropriate so today's decisions do not create larger obligations for future Boards and residents.

# How Landscape & Maintenance Labor Costs Are Allocated

Three-year actual labor hours determine each neighborhood's proportional share of personnel costs.

**01** **TRACK ACTUAL HOURS**

Record Landscape and Maintenance hours worked by neighborhood over a rolling three-year period.

**02** **CALCULATE ALLOCATION**

Divide neighborhood hours by total hours for that department to determine its allocation percentage.

**03** **APPLY TO COSTS**

Apply that percentage to the department's six budgeted personnel expense categories.

## Six personnel cost categories — calculated separately for Landscape and Maintenance

- ✓ Payroll
- ✓ Payroll Taxes
- ✓ Benefits
- ✓ 401(k) Contributions
- ✓ Workers' Compensation
- ✓ Payroll / PEO Fees

Example: 4% of three-year Landscape hours → 4% of Landscape personnel costs. Maintenance is calculated separately.

# Landscape & Maintenance Labor Allocations | 2026 vs. 2027

Cost center comparison • Year-over-year changes shown in percentage points (pp)

| COST CENTER | LANDSCAPE | | | MAINTENANCE | | |
|---|---|---|---|---|---|---|
| | 2026 | 2027 | Δ pp | 2026 | 2027 | Δ pp |
| **Ranch Association** | 46.79% | 44.01% | -2.78 | 47.07% | 45.77% | -1.29 |
| Desert Haciendas | 1.75% | 1.99% | +0.25 | 2.73% | 2.91% | +0.18 |
| Terrace Homes West | 1.57% | 1.72% | +0.15 | 2.48% | 2.68% | +0.20 |
| Park & Manor | 2.84% | 3.03% | +0.20 | 3.44% | 3.56% | +0.12 |
| Country Club | 10.52% | 10.33% | -0.19 | 8.60% | 8.33% | -0.27 |
| The Estates | 1.30% | 2.02% | +0.72 | 3.26% | 3.08% | -0.18 |
| Terrace Homes East | 1.75% | 1.86% | +0.11 | 3.19% | 3.01% | -0.18 |
| Rosewood | 0.77% | 0.72% | -0.05 | 0.55% | 0.63% | +0.08 |
| Camelot | 2.84% | 3.02% | +0.18 | 1.51% | 1.72% | +0.21 |
| Haciendas | 1.79% | 1.70% | -0.09 | 1.20% | 1.37% | +0.16 |
| Market Street Villas | 5.99% | 5.71% | -0.27 | 2.21% | 2.79% | +0.58 |
| Montelana | 1.32% | 1.33% | +0.02 | 0.83% | 0.97% | +0.13 |
| Windgate | 9.77% | 10.71% | +0.94 | 11.68% | 11.21% | -0.47 |
| Arcadia | 3.56% | 3.70% | +0.14 | 4.46% | 4.42% | -0.04 |
| Legacy | — | 0.24% | — | — | 0.21% | — |
| Horseshoe | 5.75% | 6.11% | +0.37 | 5.57% | 5.79% | +0.22 |
| Sterling | 0.57% | 0.58% | +0.01 | 0.82% | 0.97% | +0.14 |
| Pioneer | 1.12% | 1.19% | +0.07 | 0.39% | 0.58% | +0.19 |
| **TOTAL** | **100.00%** | **100.00%** | **0.00** | **100.00%** | **100.00%** | **0.00** |

Source: Summary 2027B worksheet | Δ pp = 2027 allocation minus 2026 allocation | Legacy has no 2026 baseline in source.

# Board Core Budget Assumptions

Scott Levy | Chief Administrative Officer

- ✓ Priority-driven — not simply incremental from the prior year.
- ✓ Maintain the high level of service expected by DC Ranch residents.
- ✓ Balance current needs with long-term financial sustainability.
- ✓ Protect Association assets through preventative maintenance and appropriate capital investment.
- ✓ Fund reserves responsibly and support long-term assessment stability.
- ✓ Challenge historical spending assumptions and identify operational efficiencies.
- ✓ Preserve appropriate financial flexibility for unforeseen needs.

# People, Benefits & Organizational Alignment

- ❑ Compensation: use the historical 3–4% merit range as a planning reference, with individual decisions based on performance and other appropriate factors.
- ❑ Incentive compensation: continue performance-based incentives tied to defined and measurable goals.
- ❑ Benefits: evaluate plan alternatives and a sustainable employer contribution structure.
- ❑ Cost sharing: end Ranch Association funding of Covenant Commission costs effective January 1, 2027; align remaining shared costs with services provided.
- ❑ Goal: remain an employer of choice while maintaining disciplined, sustainable financial planning.

# Reserves, Net Equity & Long-Term Sustainability

- ❑ Updated reserve studies help define future replacement needs and required neighborhood contributions.
- ❑ Neighborhood net equity should be treated as a strategic financial resource — not simply available operating revenue.
- ❑ Potential uses should be evaluated against restrictions, original purpose, neighborhood equity, community benefit and long-term impact.
- ❑ Significant uses should be supported by analysis and Board consideration.
- ❑ The objective is to address aging infrastructure while maintaining long-term financial and assessment stability.

# What Drives Assessment Changes?

Budget decisions reflect both operating pressures and long-term stewardship of community assets.

01

## Inflation & Utilities

Water, electric and gas rates

02

## Insurance

Renewal pricing and coverage costs

03

## Labor & Benefits

Compensation, healthcare and staffing

04

## Infrastructure

Aging roads, irrigation, gates and facilities

05

## Reserve Funding

Long-term repair and replacement requirements

06

## Service Delivery

Balancing in-house teams and contracted services

**Key principle: assessment changes are evaluated alongside service levels, operational efficiencies and reserve needs.**

# FY2027 Budget Review Timeline

| | |
|---|---|
| **AUG 28** | Board Retreat |
| **SEP 30** | Finance Committee #1 |
| **OCT 6** | Board Overview |
| **OCT 9** | NVM Session 1 |
| **OCT 26** | NVM Session 2 |
| **OCT 28** | Finance Committee Final |
| **NOV 3** | Board Ratification |

Between each milestone: refine assumptions, incorporate updated information, evaluate feedback and test the impact on assessments and reserves.

# Next: NVM Session 2

Monday, October 26 | Understanding the Proposed 2027 Budget

- Refined FY2027 financial outlook
- Proposed assessment changes
- Reserve contributions and major capital needs
- Final Draft Neighborhood-level budgets distributed
- What changed following Finance Committee, Board and NVM review
- Final steps before Board ratification on November 3

# Questions & Discussion

## What would be most helpful for you to understand before we return for Session 2?

We welcome questions on priorities, assumptions and the budget process.