



**DC Ranch Association
Board Report 5-4-2020 #5**

Subject Matter: Sub-Association Management Pilot Program

Background: There are 10 sub-associations within the greater DC Ranch community. These sub-association's function with their own elected Boards and are responsible for governing their associations (or neighborhoods).

Although sub-associations are bound by Ranch Association's governing documents, each of the sub-association's maintain their own governing documents (e.g. Articles of Incorporation, Bylaws, CC&Rs and rules). They utilize management services from companies that provide portfolio management services (versus on-site management). These portfolio managers who work for the sub-associations manage a portfolio of properties, many of which are not a part of DC Ranch. The general nature of the portfolio management industry is to over promise and under deliver, which seems to be a commonality with many of the DC Ranch sub-associations, in terms of the service levels they receive.

In 2018, the Board asked that we evaluate and study whether it makes good business sense for Ranch Association to oversee and coordinate management services for the sub-associations. At the September 9, 2019 regularly scheduled board meeting, a comprehensive modelling program (composed of two options) was provided to the Board for its consideration. Treasurer Esparza made a motion to approve DC Ranch Association engage with Parcel 1.15/1.16 (The Villas at Desert Park Village) to review services and possible contract terms for implementation of the sub-association management model #1, with the intent to implement the program in January 2020. Director Grace seconded the motion. The motion passed unanimously with no comments from the floor.

Regarding the two models mentioned above, management model #1 provides management services like that of a community association portfolio manager. Meaning that Ranch Association provides the community manager, who then manages the vendors and contracts, member communications and guidance to the sub-association's board of directors. This model assumes that 1.15/1.16 contracts separately with a financial services provider (this has already taken place). Model #2 provides full management services, like the services we provide to Market Street Villas (in-house maintenance and landscape services).

Primary benefits to this endeavor are as follows:

- Greater involvement from Ranch Association with the day-to-day activities of the sub-association
- Managing the sub-association at a level commensurate to the DC Ranch brand
- Understanding and advising the sub-association Board on its finances and reserves
- Sub-association access to Ranch Association executive level staff
- DC Ranch commitment to excellence

Since last fall, a DC Ranch Association project team has met on several occasions with 1.15/1.16 board representatives. Our team has been actively involved, learning about the community and providing guidance when appropriate along the way. A due diligence exercise was conducted, and a report was generated, which has been forwarded to the 1.15/1.16 Board and the Ranch Association Board. The 1.15/1.16 Board has indicated it would like to establish a management relationship with Ranch Association for the reasons stated above.

The primary concern relating to this endeavor, is that 5.2 hours per week for the community manager is being taken from another job function (Community Standards). It is important to note that in a re-organization earlier this year, 20 hours were added to Community Standards, specifically exterior modifications. When those hours were considered and approved, the 5.2-hour commitment above was factored in.

Ranch Association has three staff members that have been portfolio managers and know the business. We have the expertise in-house to take on this task and we can evaluate the outcomes a year after the start date. The question remains (which is what started this initiative to begin with), "why should sub-associations not be managed at the DC Ranch brand standard level?" Our management team is vested in DC Ranch and it will provide services commensurate with the level of management standards established and maintained by Ranch Association. Alaina Martocchia, who has been a portfolio manager and knows the business, will serve as the community manager.

The base cost of management model #1 for 1.15/1.16 is \$888 per month. It provides 5.2 hours of direct management services by the manager per week.

As is customary with this type of management services arrangement, there are additional costs over and above the base contract monthly cost of \$888. Examples of such services are as follows: maintenance project coordination of a larger scale (e.g. exterior paint, asphalt repairs) and administrative duties that require significant involvement (e.g. governing document amendment, elections, ballots, violations, etc.). See Exhibit A below.

Exhibit A

Contract Terms Exhibit A																																		
		Per																																
Envelope	\$ 0.10	Envelope																																
Postage	Pass Through	Stamp																																
Copies	\$ 0.15	Copy																																
Violation Notices	\$ 5.00	Violation																																
Agent Fee Processing	\$ 100.00	Annual Filing																																
Meetings																																		
Four (4) regularly scheduled Board Meetings & One (1) annual meeting per calendar year. Meetings are to be scheduled Monday through Friday and not exceed two hours in length. Charge shown will be allocated for any meeting time not allotted by the contract.	\$ 75.00	Hour Over																																
IT Support	\$ 30.00	Hour																																
Special Project	\$ 85.00	Hour																																
<table border="1"> <thead> <tr> <th>Category</th> <th>Service Assumption</th> <th>Unit of Owners</th> <th>Annual #</th> </tr> </thead> <tbody> <tr> <td>Statements - Quarterly</td> <td></td> <td>100%</td> <td></td> </tr> <tr> <td>RFC</td> <td></td> <td>1</td> <td>74</td> </tr> <tr> <td>Ballot/Notice</td> <td></td> <td>1</td> <td>74</td> </tr> <tr> <td>Annual Budget</td> <td></td> <td>1</td> <td>74</td> </tr> <tr> <td>Violation Mailings</td> <td></td> <td>3%</td> <td>2.22</td> </tr> <tr> <td>Vendor Checks</td> <td></td> <td>Provided</td> <td></td> </tr> <tr> <td>Total Envelopes:</td> <td></td> <td></td> <td>224</td> </tr> </tbody> </table>			Category	Service Assumption	Unit of Owners	Annual #	Statements - Quarterly		100%		RFC		1	74	Ballot/Notice		1	74	Annual Budget		1	74	Violation Mailings		3%	2.22	Vendor Checks		Provided		Total Envelopes:			224
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In the event the Board supports moving forward to provide management services to 1.15/1.16, a management contract has been drafted by legal counsel and requires just a few updates.

Recommendation: Enter into a one-year management agreement with the Villas at Desert Park Village, the terms of which are outlined in this report; said contract to commence July 1, 2020. Work with legal counsel to finalize contract.



Darren Shaw, Executive Director