



**DC Ranch Association
Board Report 11-02-2020 #1**

Subject Matter: Proposed 2021 Operating Budget, Reserve Plan and Assessment Schedule

The proposed 2021 budget was presented to the Budget and Finance Committee on October 5, 2020. By consensus, the Budget and Finance Committee supported the proposal, with one committee member objecting to the use of operating equity to offset expenses in four of the cost centers (neighborhoods). The proposed budget was then presented to the Board at a special budget workshop held October 12, 2020 via Zoom, which was open to all members. By consensus, the Board generally supported the proposal.

Since the October 12, 2020 workshop, the proposed budgets for Sterling Villas and Market Street Villas were reviewed with neighborhood representatives. As a result, a few modifications were made to the proposed budgets, which are as follows:

- Market Street Villas
 - Reduced insurance expense by \$11,304
 - Reduced landscape payroll expense by \$5,484
- Sterling Villas
 - Reduced landscape payroll expense by \$3,758
 - Reduced the amount of operating equity to be used in 2021 by \$4,620

These changes resulted in a \$531.15 monthly assessment for Market Street Villas, a reduction of \$15.55/month. Note that four (4) neighborhoods are utilizing operating equity to offset assessment increases in 2021, in accordance with the Operating Cash Policy or as an exception by the Board. The decision to use neighborhood operating equity is made each year during the budget development process.

❖ **Updated** bottom line for *proposed 2021 budget*:

	<u>2021 Proposed Budget Total</u>	<u>2020 Budget</u>	<u>2021 Budget vs. 2020 Budget</u>	<u>2020 Projected</u>	<u>2021 Budget vs. 2020 Projected</u>	<u>2020 Projected vs. 2020 Budget</u>
Total Expenses	\$ 8,679,192	\$ 8,131,231	\$ #1 547,961	\$ 8,186,337	\$ #2 492,854	\$ 55,106
Total Revenue	8,635,283	8,097,750	537,533	8,094,104	541,179	(3,646)
Net Income/(Loss)	\$ (43,908)	\$ (33,481)	\$ (10,427)	\$ (92,233)	\$ 48,325	\$ (58,752)

Proposed 2021 budget expenses are approximately 6.7% higher than current year budget figures.

❖ **Proposed 2021 expenses are forecast to increase between 6-7% over the current year budget and current year projections. The major areas of variance are explained below.**

<u>Expense Description</u>	<u>2021 Budget vs. 2020 Budget</u>		<u>2021 Budget vs. 2020 Projections</u>	
	<u>Expense \$ Increase/(Decrease)</u>	<u>% Increase/(Decrease)</u>	<u>Expense \$ Increase/(Decrease)</u>	<u>% Increase/(Decrease)</u>
Reserve Contributions	\$202,000	13%	\$202,000	13%
Capital Contribution	25,000	N/A	-0-	0%
Staff Costs	203,000	7%	144,000	6%
Management Fees	128,000	N/A	128,000	N/A
Depreciation	(55,000)	N/A	(50,000)	N/A
Water Management/Utilities	65,000	12%	45,000	8%
Insurance Expense	18,000	10%	23,000	13%
Other Department Costs	(38,000)	<1%	1,000	<1%
Total +/- Variance	#1 \$548,000		#2 \$493,000	

❖ **Updated summarized view of proposed assessments by neighborhood:**

Neighborhood	Proposed 2021 Reserve Assessment	Proposed 2021 Operating Assessment	Proposed 2021 Master Assessment	Proposed 2021 Total Assessment	Current 2020 Total Assessment	+/- \$ Adjustment	+/- % Adjustment
Ranch Master	\$ 4.00	\$ 92.10	\$ -	\$ 96.10	\$ 87.65	\$ 8.45	9.64%
Desert Haciendas	60.00	80.60	96.10	236.70	212.45	24.25	11.41%
Terrace West	41.40	59.25	96.10	196.75	185.80	10.95	5.89%
Park & Manor	43.05	57.05	96.10	196.20	177.35	18.85	10.63%
Country Club	44.45	104.40	96.10	244.95	227.40	17.55	7.72%
Estates	21.75	50.30	96.10	168.15	164.95	3.20	1.94%
Terrace East	43.05	69.70	96.10	208.85	191.95	16.90	8.80%
Rosewood	64.00	71.60	96.10	231.70	222.40	9.30	4.18%
Camelot	43.00	54.65	96.10	193.75	183.90	9.85	5.36%
Haciendas	23.00	60.60	96.10	179.70	161.95	17.75	10.96%
Market St Villas	225.00	210.05	96.10	531.15	483.45	47.70	9.87%
Montelana	44.50	97.75	96.10	238.35	219.95	18.40	8.37%
Windgate	69.85	151.20	96.10	317.15	290.25	26.90	9.27%
Arcadia	87.00	229.20	96.10	412.30	404.60	7.70	1.90%
Horseshoe	41.85	111.90	96.10	249.85	251.70	(1.85)	-0.74%
Sterling	31.50	247.35	96.10	374.95	368.80	6.15	1.67%
Pioneer	30.00	43.40	96.10	169.50	87.65	81.85	93.38%

❖ **Important Points:**

- Operating equity is being used to offset assessment increases for Haciendas (\$9,612), Market Street Villas (\$27,173), Montelana (\$5,156) and Sterling (\$1,968). All but Market Street Villas conform with the criteria established by Policy 207 Operating Cash Management. Special consideration for Market Street Villas to use all its projected operating equity is hereby requested.

- Certain expenses are shared between Ranch Association, Community Council and Covenant Commission, in order to create cost efficiencies to save the community money. As such, a management fee agreement is entered into each year, with an estimate of the shared costs for the upcoming fiscal year. In 2021, there is a significant adjustment to the amount paid for shared employees in Landscape and Facilities. In the past, time spent on Council property was estimated by staff and management. Now that we have actual time and attendance data, it has become apparent that the time spent on Council work is materially less than previously estimated.
- Personnel expense for .5 FTE (20 hours) in Community Standards is paid by Covenant Commission through the management agreement, which equals approximately \$36k.

The 2021 Operating Budget, Reserve Plan and Assessment Schedule Power Point Presentation is available at the following link: [2021 Budget Folder](#).

If formally approved at this meeting, the budget message will be distributed to all members before Thanksgiving (within 30 days of the beginning of the fiscal year).

Recommendation: Approve the proposed 2021 Operating Budget, Reserve Plan and Assessment Schedule



Darren Shaw, Executive Director



Dee Nortman, Director of Financial Operations