

POWER RANCH COMMUNITY ASSOCIATION

Budget Year: 2017

BUDGET YEAR NARRATIVE

INCOME

Assessments **\$ 4,038,883**

Description: Assumes 3987 single family sold homes and condos, mcdonalds 2 memberships and 191 apartment memberships . (The vacant lots have been moved to builder assessments as they are undeveloped and billed under a different code.

Less Bad Debt **\$ (25,008)**

Description: This bad debt projection is based upon actuals of accounts that are doubtful for being collected. This number continues to trend lower than anticipated. There could be an argument to keep it the same as it has been based upon the slow payers but actual bad debt has decreased significantly from two years ago. As of July \$9,878 has been actually written off to bad debt .

Working Capital **\$ 240,000**

Description: Working capital is a conservative number for home sales. January has been a historically slow sales month yet in 2016 there were 25 closings. The Association has averaged approximately 36 closings per month in 2016 which is an increase of 6 homes turning each month or 432 homes annually.

HUSD Water **\$ 6,337.00**

Description: HUSD is billed quarterly for the water usage for the landscaped areas and fields on the Elementary school campus. Water only.

Lifestyle Activities Income **\$ 7,725**

See Lifestyle Activities Tab

Ticket Income **\$ 2,100**

Description: Ticket income includes the sale of any tickets purchased at a discount through the Association and sold to members at a discounted price. Currently income is only generated by the Harkins tickets. Most other tickets that we used to sell on site are offering discount codes through their web site. Therefore, income is much less than anticipated.

Pool Key Income **\$ 3,600.00**

Description: Pool key income is generated by loss of a card or new tenants in a home where the prior card was not turned in. 2016 saw an increase in card income because we offered the option of purchasing an additional card for use

Facility Rentals **\$ 49,050**

Description: Facility rental includes income for rental of the facilities including pavilions, Ranch House, Barn and fields. Fluctuated monthly rentals based upon the historical actuals. There is no change anticipated for the coming year although there are more venues offered for rental, we hate to count on that income.

Soccer Field Rental **\$ 150.00**

Description: Funds generated for soccer field rental are typically from Barcelona soccer but they have not used this past year. We have received minor registration fees this year for residents that are reserving for team leagues.

Bad Debt **\$ (25,008.00)**

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Sponsorship.Aspire Income

\$ 8,800

Description: Basic Rates for Aspire membership fees which come in during the first half of the year. Estimated prior year surplus will be allocated as income as well but at this time we are uncertain as to what that balance will be.

Interest

\$ 3,000.00

Description: Interest reflects the late penalties billed to owners that pay their assessments after the fifteenth of the month they are due. This is the only fee that is typically written off should owners have "first time" late fee. Although ytd was higher in July, that number dropped to \$29,000 at the end of September. This is income that is not typically calculated when determining the required assessment rate as the financial statement shows it was billed but not what was collected. To date there is \$15,041.82 owing in interest fees.

Transfer to Reserves

\$ (798,396)

Description: Anticipated monthly reserve contribution for baseline funding per the updated Reseve Study for the report period of January 1, 2016 - December 2016, the Association is at 75% funded. The 2017 budget number increases the funding by 5% as recommended by Association Reserves, it is not however at the 100% funding level. The Committee/Board should determine if they are comfortable with that level, less than that level or increasing to the 100% funding level.

Sanctions and Fees

\$ 2,280

Rough Estimate based upon historical fees billed to owners for monetary penalties related to deed enforcement. Like interest, these fees are not always collected and AZ State Statute requires that legal action be take for collection of fines as liens cannot be filed against homes for unpaid fines - only non payment of assessments.

EXPENSE**ADMINISTRATIVE AND GENERAL****Salaries & Benefits**

\$ 818,630

Description: This category includes all current site staff, plus a part time postion for grounds services that is vacant, a proposed part time pool monitor/ranch house staff member. We are currently under budget for the year as the recreation associate (Jordyn) and the part time was budgeted to begin in January 2016 and didn't start until March. The part time staff member was also budgeted as of March 2016 (Zeitler). Through out the year, we have been down one staff member at any given month mostly grounds services or maintenance. The four part time positions budgeted are calculated at 20 hours per week when in reality some only work 12 or 16. This has allowed enough fluctuation to bring in folks for overtime when needed. The staff positions are budgeted for the entire year but could be fluctuated (such as pool monitor) to only be reflected in the summer months. We did fill the part time porter position this year that opens all facilities, clean cool decks and furniture as well as minor bulb replacements and paper re-stocking. There are currently six full time office positions, one full time recreation associate and one part time clubhouse associate, three full time maintenance members, three full time grounds services positions, one part time grounds services, one part time porter. We are proposing a part time seasonal worker for pool monitoring and/or filling at the Ranch House for the 2017 budget. The budget also includes incremental raises averaging 3% and benefit packages for the full time employees. CCMC billing rates include administrative costs for payroll, insurance, benefits.

Audit

\$ 8,425

Proposal from Butler and Hansons engagement letter for 2017 estimates \$7550 and \$875 for the tax returns. If the bid chooses to bid this out this year, it may change.

Uniforms

\$ 2,250

Grounds services personnel and maintenance persons use the bulk of the uniform budget. Due to the elements and conditions maintenance and patrol work under, we purchase a couple of new shirts per employee per year. We have also purchased hats, cooling elements for the grounds staff to provide some relief outside during the heat of the day. Conversely, sweatshirts and jackets are provided in the winter months. We recycle and clean them for new employees when possible, the cost of which is reflected in this category as well. A new shirt style was ordered for grounds staff

Legal. Collection Fees **\$ 41,000**

Description: Legal Collection fees reflects the attorney fees related to collection of past due assessments from demand lien letters, personal judgments, process servers, garnishment, etc. It also includes any small claim actions pursued by on site staff. This category reflects the legal collection fee billings for services performed. Effective in 2014 , auditors recommended these invoices be treated differently and the category is no longer credited when the owners account is billed for the legal fees. The billing back to the unit owner is recognized in the income category as legal fee revenue

Legal Fees - Attorney **\$ 10,300**

Description: Legal fees, attorney reflect the expenses related to opinion letters that may be related to contracts, amending governing documents, agreements with vendors, HUSD, Town of Gilbert or ADWR. Although expenses have been lower than anticipated in 2016, we hesitate to decrease this significantly due to the contract issues and changes in amending the documents.

License/Fees/Permits **\$ 2,981**

Description: The budgeted figure is based on actual figures from prior years. There is a slight decrease due to aging of the golf carts. This account provides funding for the annual permits to operate pools, Arizona Corporation Commission license, notary fees, anti virus for computers, notary license and insurance, truck and golf cart registration and the annual fish permit for the lake stocking. In January, computer license fees including Microsoft Core License, Windows Terminal Client access License and Microsoft Office License are billed to the sites from CCMC . Also added \$200 in January for annual fee to newly formed GCCA

Management **\$ 81,000**

Description: Management fees cover the accounting and support staff services provided by the "behind the scenes" CCMC Shared Services team which consists of an A/R Manager, A/R Accountant, A/P GL, GL manager, VP of Finance, H/R, Customer Service Reps, Title Services, Treasury Analyst, VP & Division President. In addition, there is a resource of information from collective years of service and experience in managing master planned communities throughout the country. Per the contract signed September 22, 2014, fees increase 3% in 2015. The increase in the contract pricing includes all incidentals previously billed separately by CCMC such as postage, copies, long distance phone calls, etc.

Meetings **\$ 3,475**

Description: The budget reflects expenditures for the Annual Meeting, monthly Board of Directors meetings, refreshments for committee meetings and and some community association education classes for Board Members and Committee Members. We budgeted for a volunteer appreciation evening in early November .

Office Supplies **\$ 23,000**

Description: This provides for office and miscellaneous supplies needed for the operation of the Association. Outside printing expense for the envelopes, Design Guideline copies, water cooler supplies, annual mtg expenses, costs associated with the quarterly statements from Optimal Outsource. Other items include ink cartridges for printers which has increased with the photos imbedded in the violation letters and the increased color copies used; business cards, receipt books, tape, toner, staples, post cards, coffee, colored paper, copy paper and supplies for bulletin boards. Smart Webs which is the software for covenant enforcement has a monthly fee of \$35 per month which is an increase

Office Equipment Rental **\$ 9,134**

Description: This category reflects the copier lease, the postage machine leased from Pitney Bowes, ink for the postage machine or extra copies or billings related to the office machinery. Increased the budget for 2017 to better reflect the color copies . The average monthly cost for the copier and color copies is \$643. Color copies will only increase with the promotion of events, meetings, etc.

Postage **\$ 16,720**

Statement mailings through Optimal Outsource increased due to postage costs and lack of enrollment in the statements - postage of \$1710 per quarter March, June, September and December. Late Notices, Initial Late letters, Mailings from site office Violation letters, neighborhood specific letters -pitney bowes postage average so far this year is higher than last year at \$3100. The site postage meter is filled three to four times a year. Left room for additional flyers, notices or neighborhood mailings that may come up during the course of the year. We are sending more violation letters due to the push to repaint homes.

Telephone.Cable.Internet \$ 23,676

Description: Addition of one phone line and internet access to the Carriage House. Includes Barn, Ranch House and Carriage House and includes internet and wifi and cable service in both the Barn and Ranch House as well as the upgrade to include both pool areas with wi-fi capabilities. There is small allowance for long distance communication with owners and possible equipment or service charges. 2017 shows an increase as Cox services increased and a portion of the Ranch House connection was allocated in the 2016 budget (just not the entire amount)

Lifestyle Activities \$ 32,285

Additional Supplies and expenses for Lifestyle include Saturday craft supplies, early release events.

Ticket Expenses \$ 4,956.00

Description: Ticket expenses includes the sale of any tickets purchased at a discount through the Association and sold to members at a discounted price. Diamondback tickets group sales were completed through internet with a promotional code, if a group package is utilized the expense will be coded in this line item. A majority of this income is generated from Harkins Tickets, his includes any sporting events and related packages for these events such as transportation to Coyotes, Suns, etc.

Off site Storage \$ 3,540

Description: This reflects the cost of the offsite storage units at Public storage. There is one storage unit as one was eliminated last year. Some of these items were formerly stored in the upstairs loft at the Barn and include tables and chairs from the Ranch House. It also includes off site record storage previously charged as a bill back from CCMC, now a direct bill from Iron Mountain at \$68 per month plus shredding service of \$55 average per month.

Mileage \$ 2,880

Description: Provide mileage reimbursement when using personal vehicle for business use. Includes lifestyle errands for supplies, covenants and manager driving on behalf of the association. This was increased for 2017 as the average monthly expense is 240 per month.

Aspire.Sponsor Expenses \$ 8,500

This account will be utilized for any expenses related to the operation of Aspire. These numbers reflect two years of Aspire expenses for the various events they sponsor from the sponsorship dollars collected. Aspire sponsored a portion of the Wedding events publication that Lisa prepared and published which will be an annual or every two year update. The cost of the Aspire directory, Quartermania, Movie sponsorships, the snow hill at Polar express and various other happy hours that are supported through Aspire dollars. This category could fluctuate depending on the sponsorship levels purchased during the year and carryover from previous year. But we now have a truer picture of the expenditures, most of their renewal funds for membership come in January through March.

Website/Digital Media \$ 8,851

Expenses related to the hosting of the web site, transaction fees associated with the facility rental module. There are transaction fees associated with use of credit card fees on the site. The 2015 budget includes \$2500 for professional photographer to highlight the community or use photos for the magazine and a videographer to continue feeding clips to the Power Ranch YouTube channel. Includes two Adobe Cloud software users (Lifestyle and Communications), and two Adobe Pro Acrobat users (fillable forms and Board packets) at which is utilized by Communications and Lifestyle for publications, flyers, forms, etc. Constant Contact 1165.80 two to three times per year, Animoto subscription and renewal annual cost of \$249.00. We are reviewing alternatives for web site providers and currently prefer Club Essential which would interface with the new management software on the horizon and would eliminate the need for Constant Contact subscription. Average monthly cost for the new system is \$1790 with a start up fee of \$4500

Decorations

Decorations include replacement lights for holiday decorations and any decorations used for themes related to annual meeting or other decorative touches for the facilities.

CONTRACT SERVICES

Cleaning & Janitorial \$ 20,861

Description: New contract with Oranje Commercial Cleaning for cleaning the Ranch House, Barn and RH Pool restroom buildings. Service includes two times per week in winter months and three times per week in the summer.

Park. Playground Mtce **\$ 5,575**

Contract with Playground Police for monthly inspections and cleaning of the 11 parks within PR. This includes checking all equipment for loose screws, safety hazards, power washing of the equipment and providing a report on those playgrounds serviced each month.

Lake Maintenance **\$ 11,748**

Description: Contract with Water Resource Management for monthly service of the lakes at the Barn and Ranch House. This is the monthly service fee and includes two service days per week per lake. There has not been an increase in the base fee of this contract for five years.

Acid Injector Maintenance **\$ 3,720**

This is the cost of the monthly maintenance of the fertigation and acid injection systems at both the north and south pump stations. Werecon has maintained the monthly service at \$310 to allow us the flexibility to upgrade the system. South Pump Acid Injector system was replaced through reserve funds in September 2011 and then again in 2012 through an insurance claim as an electrical shorted the system. This contract services the acid injector system at both the north pump station and south pump station. The north system was replaced in 2014.

Pest Control **\$ 23,700**

This is an all inclusive contract with Atomic pest control which was approved in April 2015. They service the community every Thursday and treat Bees, Ants, Gophers and all other needs including monthly service at the Ranch House, Carriage House and the Barn as well as restroom buildings at the Barn and RH pools. They are trapping the gophers which is an added expense although successful. There have been additional expenses related to Scorpion treatments in the Carriage House and Ranch House.

Pool Service **\$ 20,010**

Description: Raven services the Ranch House and Barn pools twice per week in the winter months and five days per week in the summer months. Shane is not projecting an increase in service costs for 2016. However, to accommodate increased cleanings during October and March, those months reflect additional services due to the extended season and Fall and Spring Break.

Pool Chem Monitoring **\$ 864**

This cost is the monitored system for both pools and includes the renewal of the service as of August 31, 2013 for the next three years. In the event that a digital system is offered in the future, the association will be credited for the remainder of the contract. The current contract runs through 2016. There is no change projected.

Patrol/Parking Enforcement **\$ 51,240**

Currently, the contract for patrol service is through Anderson Security which was approved in March 2015. The service includes five nights a week - 10:00 p.m. to 6:00a.m. The average monthly service is \$3695 depending on the number of full weeks in the month with a \$575 charge for the vehicle. No change projected for 2017

Alarm Monitoring. Testing **\$ 3,863**

Description: Monitoring of both burglar and fire alarm systems through On Guard Systems. The Carriage House building was added in 2014; 69 qtr for burglar alarm and 98.55 fire alarm system. Fire Extinguishers in pump rooms and pool rooms and any repairs needed on the system. New fire alarm panel for the Ranch House budgeted through reserves. RCI completes the testing on the fire systems in the Barn \$255, RH \$335 and Carriage House \$255 in June/July. An additional \$350 is budgeted for any repairs that may be needed as a result of the testing. This usually includes sensors that are in the duct system or repairs to the panel itself. Both panels in the Carriage House and Ranch House were replaced during renovation. Minor troubleshooting problems caused additional charges in 2016.

Pump Well Maintenance **\$ 4,914.00**

Description: The pump and well maintenance contract is through GMI Pump Services and includes service to the wells and pump station. Service includes labor and any parts are billed separately such as oil, probes, filters, etc. The hourly rate for repairs increased in 2014 to \$90 per hour from \$80. Most of the repair work is budgeted in pump station repairs.

LANDSCAPE EXPENSES

Landscape Maintenance \$ 1,107,000

This account provides the base maintenance of the common area landscaping throughout the common areas of Power Ranch to include the 5,292,653 square feet of turf and 5,713,350 square feet of granite and reflects a 1% increase over last year. The contract is the same for 2016 and 2017 but increases slightly in year 3.

Landscape Extras \$ 141,500

Description: This category also includes storm clean up and related erosion control. Annual flowers are budgeted in May and in October at a total cost of \$9000. *Refurbishing projects total \$68,000 for 2017 and include t Power Road north of Los Altos to Pecos, Pecos Road from Power to Ranch House and a small area along the wash bordering Painted Trails apts. Turf Aeration/dethatching is budgeted to force the transition from rye to Bermuda should Mother Nature not cooperate One aeration is included in the contract price; dethatching equipment is required for larger areas in PRCA.

Soccer Field Mtce \$ 60,859

These figures reflect the costs of maintenance associated with the Soccer fields including fertilization, grub worm treatment, seed, tree trimming and additional aerations and refurbishing if required. The additional aeration and seeding have made a difference this year and allowing them to rest this winter should insure a substantial stand of bermuda for 2017. Funds have been allocated for tree trimming in March for \$3575, overseeding one field in 2017, irrigation supplies dethatching and aerations (one aeration is included in pricing (March only sulfur charges) but additional aeration is slated for March, May, July and September). The base fee is \$3452 per month or \$41,424

Landscape Other \$ 129,450

Description: This covers the expense for chemical applications including sulfuric acid, fertilizer, pre and post emergent. Much of this expense is the liquid acid and fertilizer injected into the water for distribution to the turf and plant material. Pre and Post emergent's are chemical applications which require licensed and certified applicators. Granular fertilizer is also used to supplement specific areas and assist in transition of turf areas. In addition there are many turf areas that have quite a bit of crab grass and spurge that will require additional applications of pre-emergence and post emergence spray.

Tree Trimming \$ 195,000

Description: This is the cost for pruning trees over 10 ft. Regular tree trimming under ten feet will be completed with onsite staff. This line item was increased to accommodate the preventative maintenance that should be done to ensure the growth and longevity of the trees. This increase is equivalent to one additional visit from the arbor crew. Note: Four Peaks aims to trim between 3400 to 3600 trees per year which allows them to prune most large trees every three years. There are species that require trimming every year but the Oak trees can go There are over 3,000 trees that need trimming that are above 10' in height. Deciduous trees are scheduled in the winter months such as Ash and Red Push Pistache in January, Sissoo's in March, Mesquites in May, Palms are included in the contract typically pruned in June, Willow Acacias and other trees are planned for November and December. This allows the Arbor Crew to be scheduled monthly as opposed to six times a year. They are not scheduled in June and July as that is when they are trimming palm trees.

Landscape Supplies \$ 4,800

No change from prior year. This category covers the cost of tree stakes, top dressing materials, guy wire, etc. The addition of sand to tot lots may fall under this category as well. Four Peaks is recommending an increase t \$6,000 but historical cost have been well below \$5,000. Recommend a budget of \$4,800.

Irrigation Repairs \$ 54,700

Description: Irrigation repairs were increased for 2014 and 2015 because much of the irrigation work completed through renovations is coded directly to this category. However, those costs have not been as high as anticipated in the last two years. Due to the age of the system, the recommendation is to increase the budget to \$60,000 for 2017. The rotor heads in the large turf areas are showing signs of wear; replacements are on the rise. This account provides for repairs to sprinkler heads and bubblers, spray heads, irrigation main and lateral lines, controllers and valves. It also provides for additional irrigation heads where required. Note: this line item has increased dramatically based upon actual costs over the last three years. The system is aging and Four Peaks is replacing a number of solenoids, valves, rotor spray heads. In addition, there has been an increasing number of main line leaks, some due to tree roots.

REPAIRS AND MAINTENANCE

Drywell maintenance \$ 21,412

Backflow testing, repair and certification is scheduled for March at a cost of \$3132 as there were a few backflows that required repairs this year. We have included \$20,000 for Drywell service. There are 224 drywells within Power Ranch common areas which have been identified, mapped, labeled and measured for silt build up and clearance from the top. We began with drywells that had 7' to 10' of clearance in 2013. We are currently in "maintenance" mode rather than clearing the silt and various compacted debris, they are able to clean them faster and increase the number of drywells that get addressed each year.

Vehicle Maintenance' \$ 9,200

Description: Vehicle maintenance includes gas for the truck and golf carts as well as routine maintenance such as oil changes, tire replacement and rotation, batteries, brakes, etc.

HVAC R&M \$ 2,752

Description: We have added the Carriage House to the routine maintenance and filter replacement which should suffice as the first year the units are under warranty. The quarterly expense is for the cost of the filters which are replaced by maintenance staff. Most repairs can be accomplished in house but others may require outsourcing. The Ranch House units were replaced in 2013 and requires only preventative maintenance. The Barn has experienced a few repairs in the past two years and is schedule for replacement in 2017.

Building R&M \$ 8,700

This account provides for miscellaneous building repairs that are required. Building repairs include but are not limited to, paint, door and lock adjustment, minor non-structural repairs. Moving some of the plumbing repairs out of this category should keep expenses below the projected year end. this would also be

Electrical Repairs \$ 5,250

Description: Electrical repairs are much higher in 2016. However, we continue to see issues with bollard lights as the community ages. Maintenance is experiencing wiring problems caused by shorts, disintegration or wires, etc. Water is causing a number of wires to deteriorate in the common areas - mostly affecting bollard lights. The tracing of the wires is usually completed in house to minimize time required by licensed electricians. We have been able retrofit some common area lighting to LED which should decrease bulb replacement as most LED's have a five year life. The expensive repair in 2016 was the replacement of the pedestal that had rusted in the Orchard for \$3,900. in March. There are still a few pedestals located in turf areas that may be affected in the future. Increased this category for 2017 due to the trend upward and aging of the community.

Fences.Walls \$ 5,000

Description: Stucco repairs, wood fence painting etc falls under this category although much of this work is accomplished through in house maintenance. Extensive stack stone repairs are accomplished through this category as well as accidents involving walls some of which is recouped through insurance. The stacked stone repairs include columns found at entries and park areas as well as the stone and caps on the perimeter block walls. We have managed to salvage the stacked stone that was being removed during renovation which will reduce the need to purchase stone and the replacements can be accomplished through in house staff. This year we have had a few repairs to walls and fences due to tree issues either falling on the fence or lifting the wall. This is a category that can be heavily used one year and very little the following year. We have reduced for 2017 as the two year average has been well below \$5000.

Mailbox Repairs \$ 1,625

Description: This line item reflects expenses related to the repair of the parcel boxes and postal boxes and frames. As boxes have been replaced in six of the oldest subdivisions, we have seen a huge reduction in the amount of repairs. There are still repairs required on parcel boxes in many of the neighborhoods but actual repairs have decreased considerably.

Lake Repairs \$ 1,500

Description: This account includes the yearly aerator repairs to both lakes. Additional funds were allocated for replacement screens, Applied Diving's resources for repairs needed inside the wet well or equalization line at the Ranch House or Barn Lake. Many repairs to the lake infrastructure and replacement items are planned through the reserve budget.

Park Equipment Repair **\$ 6,125**

Description: This account provides for the repairs to the tot lots and park features such as nine (9) volley ball nets, two (2) tennis court nets, 12 basketball nets and the purchase of additional dog stations. This category allows for patching of the play surface, tilling the sand and sand refills as well as tot lot equipment repairs. Many repairs to the park

Pool Repairs **\$ 10,800**

Description: This account provides for the repair of swimming pool motors and related equipment. Also, replacing the lights in the pools, any skimmer repairs, orings, back wash pistons or related leaks. This category includes sand filter changes and minor repairs such as gaskets, chlorinating lines, and any required plumbing related to the pools. (For example: skimmer line break,) Additional funds allocated for possible repairs with the extension of the swim season. We usually do a sand change every other year but with the change to the new filter media (glass) completed this summer we will not have to change sand anymore. When lights need to be replaced, we are replacing with LED which are more expensive than the traditional pool/spa bulb and fixtures. We have also experienced an increase in leaks at both pools in the return lines, filter plumbing, etc. The budget remains the same for 2017.

Access System **\$ 3,585**

Description: The access system requires repairs some of which are hardware related including gate closures, door closures and software related issues that require a service call. This would also include any repairs related to the readers at the pool entry gates, the splash pad, restroom strike plates or readers at both pools.

Signage **\$ 2,000**

Description: This provides for repairs to the neighborhood and community park and monuments signs. Each letter costs approximately \$300. It may also include replacement signs for other common areas, for example, the fire department just required the addition of a sign at the main fire suppression system. Pool capacity signs or emergency shut off signs are often in need or replacement. This also includes the use of A-frame signs, stakes for temporary signs.

Well.Pump Station Repairs **\$ 20,000**

Description This line items reflects the routine operation items such as water quality testing, flow meter calibration, and oil for the pumps. It also includes the many components in the pump stations that may require repair throughout the year such as the VFD, compressors, gear operators, ph sensors, valve ball, tube assembly kits, bi-pass valves, pumps and motors. As components age, there are leaks, malfunctions and other events that require repairs by GMI. Reduced estimated repairs to actual projections by year end.

Vandalism **\$ 2,100**

Description: This category was established to better track repairs specifically related to vandalism and graffiti. Graffiti wipes are coded here as well as paint related to covering items or any item including lights that may be required for replacement due to vandalism. This category has decreased in the last two years but we have seen a spike in damages in 2016.

PARTS AND SUPPLIES

Cleaning Supplies **\$ 6,735**

Description: This account provides for cleaning and janitorial supplies for each clubhouse, pool and restroom areas, including repair or purchases of cleaning equipment. This category has been increased slightly to allow for paper products during the summer months due to high use of the pool facilities. We saw a slight reduction in supply costs in 2015 but we have had one building under renovation for most of the year. Now that both buildings are operational, recommend a slight increase in cleaning supplies for 2017. We will be over budget for the year due to the purchase of the new commercial vacuum cleaner for the Barn.

Dog Station Supplies **\$ 3,440.00**

Description: We were able to decrease the budget on this item due to locating an alternate supplier which is much less than the prior vendor. For the year, this category has been running higher than projected. We began ordering the bags in larger quantities for a discount but we are still seeing an increase in the usage. Double edge sword -we are happy people are using them but it does cost more!

Electrical Supplies **\$ 6,000**

Description: Recommend keeping this line item at \$5,100 annually as it enables the Association to upgrade some fixtures using in house maintenance staff. There are an increasing number of repairs relating to power and lighting. This category includes all bulb replacements, replacement bulbs for balloon lights if needed, as well as minor electrical items related to solar and other common are components. Some repairs are related to underground wiring that has failed some due to age and some due to minor nicks in the wiring that have shorted over time. It also covers replacement parts for interior and exterior lights, light bulbs, ballasts, electrical wire and replacement parts and bollard fixtures. Recommend slight increase for 2017 as through August \$4657 has been spent.

Pool Supplies **\$ 26,200**

This category reflects the cost of acid and chlorine which is provided by Leslies in liquid form for the autochlor system, at a bulk discounted rate. Other chemicals include phosphate remover, bicarbonate soda ash for ph balancing, as well as o-rings, pistons, and other supplies required for repairs. We did see an increase in pool chemicals over last year with the added use affiliated with swim team usage, extension of the pool season as well as increased usage during the summer months and on either end of the season due to solar. No change anticipate in 2017 based upon actuals and we have changed suppliers for chemicals to Superior as they were less expensive than the current supplier for barrels of liquid chlorine.

Hardware Supplies **\$ 4,650.00**

Description: This account provides for miscellaneous hardware items, gate repairs latches, locks, key copies, tools, mister nozzles (which have become a popular missing item), supplies for the water softener system for misters and other supplies. This category also includes paint supplies for touch up of bench bases, building walls, etc. Slight increase for 2017

Pool Keys **\$ 2,608.00**

Description: This reflects the cost of additional access cards and the non-duplicatable keys for the tennis courts. Slight increase as the cost of the keys has increased. Many cards were sold this summer allowing the owners to purchase a second card for \$10. WE will probably need to purchase more key cards for 2017 and are waiting on a firm price for that. \$750 allocated currently in February for the purchase.

Lake Chemicals. Fish **\$ 9,000.00**

Description: Chemical usage of dye and copper sulfate have increased in the past two years This category also includes any chemicals used to control algae growth and dye to prevent the penetration of the light in the lake water stunting alage growth. One of the reasons for the change in contractors is the decrease in the chemical usage although down from last year. We are still waiting on solid numbers for possible fish stocking so this is subject to change.

UTILITIES

Garbage Removal **\$ 4,560**

Description: This category is for the trash service for the dumpsters at both the Ranch House and Barn with two (2) weekly pickups at the Barn and Ranch House as well as the recycling program at both locations. 181.41 per 8 cy containers and \$16.02 for the recycle bins. REclass of \$705.76 found sewer charges on the same account were coded to trash. S/B \$3,030.72 thru August.

Soccer Field Water **\$ 26,196**

The water usage for the soccer fields is recorded each month through the flow meter installed in late 2011. Only the water usage is allocated to this category. It does not include the addition of the acid and fertilizer. The budget reflects a three year average of use and expense which depends on the weather conditions and percipitation. For the purpose of this calculation, we used a five year average of the actuals with the exception of using budgeted numbers for the four remaining months of 2016.

Electricity **\$ 178,000**

Description: This account provides for the electrical cost to run the pumps, wells, clubhouse, monument lighting, and irrigation valves. The line item had decreased to match current usage due to additional areas added to the account. The account is currently on SRP's Sure Pay program, which provides a 1% savings. This includes the Carriage House, pumps for running solar and misting. Well 7 pump station was down through July although SRP increased their rates effective April 2015, which was anticipated in the 2015 budget and overall within the budget constraints. There were several months during the hot season when we were unable to shut down pumps due to only two wells working often during peak hours. For the purpose of the 2017 budget, we took the three year average in electricity which includes pump outages but electricity for all buildings, ramadas, solar, etc. According to ur commercial rep, they are proposing a 3% increase for thier next fiscal year. SRP's year end is April 30. The three year average is \$173,849 annually. A 3% increase is budgeted effective with the May billings.

Gas \$ 15,574

Description: This line item is based on supplementing the heating of the Ranch House pool and minimum meter charges on the meters at the Ranch House for the gas fireplace and gas stove.

HUSD Water \$ 6,337

Description: Water that supplies the north fields and the PR elementary school campus. Last winter they turned the water off completely but this expense account matches the income amount.

Water & Sewer \$ 178,471

Average acre feet over the last 7 years is 943.60. There are no increases slated for the Town of Gilbert water rates at this time. The projected budget for 2017 is an average of the last five years as both soccer field and HUSD water usage were allocated to separate categories. In some cases, months were adjusted due to an abnormally high or low billing. The water fluctuations are very dependent on Mother Nature as we are able to shut down the system for days after a large rain event. Four Peaks works to keep our usage under 1000 acre feet.

TAXES

Taxes \$ 500

Description: Real estate taxes all common area tracts are combined.

INSURANCE

Insurance - D & O \$ 6,222

Description: Directors and Officers policy insures all directors as well as committee members for decisions made on behalf of the Association. Actual policy cost in 2016-2017 was \$6024, AZ Group is anticipating less than a 5% increase for the 2017 policy year. For budget anticipated 3.5% increase to \$6235 for the annual cost. Policy renews in February therefore the change as of Feb.

Insurance - Master \$ 21,317

Description: This account provides for property and liability coverage for the Association. Included are the General Liability, Property, Crime, and Boiler & Machinery (Mechanical Breakdown). Anticipating a possible 16 to 18% increase in premiums in 2017 due to claims. Boiler and Machinery is a 3 year lock and there is not an increase in that policy which is only \$1588 annually.

Workers Comp \$ 829

Description: This insurance protects the Association from any possible workers compensation exposure. For example, should a vendor's WC coverage expire during a contractual obligation any employee of that contractor can sue the Association for their loss of work and injuries. However, the association usually receives 85% of the premium returned upon completion of the State Fund Audit the net cost is \$789. Anticipating no increase in 2017, a budget of \$800 is recommended.

Excess Liability \$ 13,992

Description: This excess liability was increased in 2013 from \$15M to \$25M coverage and has remained at that amount. The excess liability is an umbrellaa which encompasses both Directors and Officers coverage and the commercial general liability and property coverage. No increase expected in this policy for 2017.

Non-Owned Auto \$ 2,693

Description: This account provides for automobile and golf cart coverage as well as for any person that may be driving their own vehicle on behalf of the Association. We are currently under budget and do not anticipate a significant change in the cost of this policy. Allocated 250 per month when actual was 218. For 2017 modified to 225.