

2010 Master Budget Narrative

2009 Re-cap

As with 2008, 2009 has been a tough year and our Association suffered from the recession and its destructive impact on employment. Year to date, we've had 17 bank foreclosures. Additionally, 35 out of our total 1,658 accounts are delinquent at least \$250. Combining foreclosures with delinquencies would be around 3% of the total accounts. Foreclosures and delinquencies are spread throughout the community, reflecting the broad reach of the economic downturn. Interest rates in FDIC-insured CD's continue to be low and thus limit our net interest income on reserves for the master and the parcels.

2009-2010

Annualizing year to date expenses for 2009 shows the budget almost at actual with the exception of cable expenses, which were about \$67,000 lower thanks to an agreement by Cox to forgo its usual annual increase. Apart from the delinquencies a premature lake pump failure capital expenditures were within projections. We're continuing to build up reserves to maintain and improve our common areas as indicated in our reserve study and have increased the allocation for bad debts. In keeping with prior monument upgrades, monuments were upgraded for Olympic Estates. Additionally, irrigation pipes and features were replaced and the park got some needed gravel replacement.

Our homeowner's were polled to determine whether to continue our relationship with Cox Cable. Due to an over-whelming majority vote in favor of Cox, we've signed on for another three years. Thanks to negotiations by a board member, we'll get the first year at 60% of the current market rate, with no increase in 2010. This means that regardless of the usual increase Cox makes annually, we'll be immune for 2010. In the following two years we'll be getting a 40% discount from the market rate.

As our community ages, we're continuing to replace irrigation pipes and various controls on a scheduled annual basis. These expenditures represent a significant portion of our capital expenditure budget along with reserves for self-insurance for our common area plants and trees and lake and park features.

Assessments 2010

The 2010 annual assessment will be \$765 per home. This is an increase of \$15 per year or 2%. Despite the continuing delinquencies, the increase is low thanks to the cap on cable expenses as well as an agreement from our landscapers to forgo and increase from 2009.

2010 Villages Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget with the exception of water and electric which are somewhat under budget due to weather variances. We've had to replace aging irrigation features such as clocks which will be a continuing expense in the near term. Once again we've seen an increase in the sprinkler replacements. Unfortunately, a large amount of appears to be due to vandalism. Please stay vigilant and call the local management office if you see this occurring.

2010

The 2010 annual assessment will be \$876 per home or \$73 per month. This is an increase of \$48 per year or 5.8%. In addition to significant city increases for water and electricity rates, we need to increase our reserve fund to protect our inventory of 565 trees, 19 saguaros and 19 palm trees with an appraised value of \$1.8 million. Tree replacement is expensive so we need to increase our current reserve of \$62,000.

2010 Sonoran Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget. Happily there have been minimal gate repairs thus far. There have been minimal capital expenditures for 2009.

2010

The 2009 annual assessment will be \$890 per home. This represents an increase of \$18 per year or 2%. Operating expenses will increase minimally while there are no significant capital expenditures projected for 2010. We feel it will be sufficient to cover the increase in our operating expenses and add to our reserves. This is supported by a recent reserve study.

2010 Lakeview Estates Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget. About \$600 was spent on technical entry improvements.

2010

The 2010 annual assessment will be \$845 per home. This represents an increase of \$73 per year or 9.5%. This increase is warranted to build up reserves as recommended by a reserve study. Capital expenditures for 2010 are projected at around \$7,000 primarily to replace entry system.

2010 Country Club Estates Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget. Security gate repairs have run around \$2,200 versus \$2,500 projections. Capital expenditures were minimal at \$1,223 for low voltage lights at entry.

2010

The 2010 annual assessment will be \$360 per home. This represents an increase of \$8 per year or 2.27%. We feel it will be sufficient to cover the increase in our operating expenses and add to our reserves. This is supported by a recent reserve study.

2010 Red Rock Pass Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget. Operating expenses will be only slightly higher in 2009. While road resurfacing was not done as projected, near term, about \$4,600 will need to be spent for road resurfacing out of capital reserves.

2009

The 2009 annual assessment will be \$492 per home. This represents an increase of \$4 per year or 1%.

2010 Sky Mountain Budget Narrative

2009

The annualized actual income and expenses are slightly higher than budgeted thanks to gate repairs of year to date of about \$2800. About \$3500 was spent on capital improvements for the fountain, wall painting, and irrigation repairs and another \$1750 was spent on car repairs due to gate malfunction.

2010

The 2010 annual assessment will be \$490 per home. This represents an increase of \$5 per year or 1%. Capital expenditures for 2010 are projected at about \$33,800 for an asphalt seal on the road and some stucco wall repairs. The increase should be sufficient to supplement the reserves and to cover the increase in operating expenses. This is supported by a recent reserve study.

2010 Sienna Hills Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget. Operating expenses will be only slightly higher in 2009. Capital expenditures were about \$25,000 for a two new gate operators for \$12,870 a car repair due to gate malfunction of \$1,600 and \$10,360 in unanticipated rock debris cleanup due to potential legal issues.

2010

The 2010 annual assessment will be \$450 per home. This represents an increase of \$40 per year or 10%. This increase is necessary to cover increased operating expenses and rebuild reserves which were diminished by an unanticipated expense to replace irrigation lines in prior year and the unanticipated clean-up. While a reserve study had been prepared in the past, it didn't reveal the timing or full extent of these capital expenditures.

2010 Dos Lagos Budget Narrative

2009

The annualized actual income and expenses are close to the 2009 budget. Operating expenses will be only slightly higher in 2009. Dos Lagos has limited operating expenses. The bulk of assessments goes toward building up a reserve for future road maintenance.

2010

The 2010 annual assessment will be \$215 per home. This represents an increase of \$20 per year or 10.2%. About 5,300 is projected in capital expenditures for 2010. This is supported by a recent reserve study.