



2023 Narrative Operating / Reserve Budgets

2023 Operating Budget

I. Income

- **40005 Assessments** - \$315.00/quarter assessment income is based on 2866 units/lots. This reflects an increase of 5% (\$5.00 per month) over the previous year.
- **41035 Lifestyle Enhancement Fees** - \$250,000 annual income from the 0.25% fee charged to sellers at close of escrow.
- **41047 ACC HOA Fee Sharing** - \$13,200 annual income, based on estimate of 176 home sales provided by ACC accounting staff. This is income received from the ACC for property transfers.
- **42003 Legal Fee Reimbursement** - \$200/month. Income is offset by Legal Fees (Collections).
- **42005 CC&R Violations Fees** - \$3,100/month, which is consistent with the 2022 budget. Income is offset by Bad Debt (Violations).
- **42045 Gate/Key Income** - \$60,000 annual income based on previous years' transponder sales and vendor account renewals.
- **43001 Other Income** - \$1,200/month based on projected income from fees assessed for gate and common area damage. Income is offset by Security Gates Maintenance & Repair and Common Area Maintenance.
- **45001 Interest Income** - \$2,400 annual income, based on anticipated interest rates.

II. Contract Services

- **55004 Water Feature Contract** - \$1200/month for the weekly maintenance services performed by Arizona Facilities Management which includes, at no additional cost to the Association, chemicals necessary to balance the water. An additional \$600/quarter is for the quarterly preventative maintenance services performed by Foster Electric for the pumps and other ancillary equipment associated with the water feature located at main entry to the Country Club. Expense is based on current contract billing.
- **55006 Street Sweeping Contract** - \$1,395/month reflects a 12% increase in cost from 2022, which is the anticipated contract billing for monthly street sweeping services provided by Sunstate Sweeping.
- **55011 Gate Staff Contract** - \$868,200 annual expense reflects an 11.1% increase from the 2022 budget to increase compensation and provide longevity incentives to retain high-quality gate/patrol staff provided by Sunstates Security. Included in December is an allowance for holiday gifts for team members.
- **55014 Gate Maintenance Contract** - \$2,000/month for a monthly preventive gate maintenance service contract with iCan Access & Video to service all entrance and exit gate equipment. Expense is based on current contract billing.
- **55022 Janitorial Contract** - \$266/month reflects a 6% increase in cost from 2022, which is the anticipated contract billing from MJ Company for weekly cleaning service at both gatehouses.
- **55025 Landscape Contract** - \$42,258/month, reflects a 3.5% increase from 2022 for landscape service provided by DLC Resources throughout the common areas. Included in December is an allowance for holiday gifts for crew members. The Association should anticipate a similar increase in 2024.
- **55035 Management Contract** - \$507,716 annual expense to cover compensation for the six members of the onsite management team. Included in December is an allowance for holiday gifts for team members. Also included is a 1.5% increase to the management fee (\$2,977/monthly), per the current contract.
- **55115 Exterminating Contract** - \$45/month, which is consistent with the current contract billing from Titan Pest Control.

III. Administrative Expenses

- **51028 Mileage Reimbursement** - \$190/month, to cover the cost of staff community tours through the community and attendance at AACM and CAI continuing education classes.
- **51035 Postage & Copies** - \$10,890 annual expense based on 2022 historical and current trends. Expense includes road project communications, compliance letters, postage and color copy costs paid to ACC, LEC applications and miscellaneous items.
- **51036 Printing & Forms** - \$250/quarter, which is consistent with 2022, to cover the cost of ancillary forms printing such as business cards, parking notices, parking permits, and guest passes.
- **51045 Office Expense** - \$500/month, which is consistent with 2022 trends for staff and gate house office supplies.
- **51046 Gate Access Devices** - \$29,985 annual expense for the purchase of gate access transponders. This expense is offset by Gate/Key Income.
- **51053 Consulting Fees** - \$300/quarter to allow for consultations with professionals (including, but not limited to civil engineers, traffic engineers, IT, architects, designers), if needed.
- **51065 Insurance** - \$18,300 annual expense for general liability, crime, umbrella, and workers' compensation coverage through LaBarre-Oksnee Insurance.
- **51066 Directors & Officers Insurance** - \$5,750 annual expense for Directors and Officers insurance through LaBarre/Oksnee Insurance.
- **51125 Meeting/Community** – \$16,860 annual expense to cover election costs (mailings, online voting, ballot verification, meeting room rental) in Q1. Budget also allows for an annual volunteer appreciation event at Ironwood Clubhouse in November (\$5,000) and an allowance in December for committee holiday events, if desired.
- **51126 Entertainment Costs** - \$700 annual expense for board/staff luncheons, birthday celebrations and other recognition expenses.
- **51147 Resident Communications** – \$27,200 annual expense, based on the Board's goal to increase communication. This includes a monthly contract with a communication consultant who writes email content, designs and mails up to 2 print newsletters throughout the year, manages Facebook, Instagram and Twitter content. This budget also covers monthly Hootsuite and MailChimp fees.
- **51155 Legal Fees (General)** - \$2,100/month to cover the cost of legal opinions, counsel attendance at board/committee meetings, etc.
- **51156 Legal Fees (Enforcement)** - \$200/month. This account is offset by account Legal Fees Reimbursement.
- **51164 Licenses & Permits** – \$1095/month, which is consistent with 2022 GateAccess.net license fees.
- **51165 Taxes, Licenses & Fees** - \$210 budgeted in September to cover the filing fee for the Arizona Corporation Commission (\$10), Community Information Statement filing fee required by state law (\$100) and the statutory agent filing fee (\$100).
- **51166 Property Taxes** - \$165 annual expense, which is consistent with 2022 actual expense for parcels deeded to the ACCCA.
- **51167 Income Taxes (State)** - \$11,200 annual expense from interest earned on investments, which is based on estimated taxes due.
- **51168 Income Taxes (Federal)** - \$47,360 annual expense from interest earned on investments is based on estimated taxes due.
- **51176 Payment Processing Fees** - \$2,195 annual expense based on 2022 trends. Expense is for the Square credit card processing fees incurred from the sale of transponders and non-resident payments for gate and common area damage. This expense is offset by Gate/Key Income and Other Income.
- **51195 CPA Services** - \$12,250 annual expense based on an engagement with a CPA firm for the 2022 audit and tax preparation services.
- **51216 Bad Debt Expense (Assessments)** - \$2,500/quarter, 0.3% of 2023 Assessments billed based on historical and current trends.
- **51217 Bad Debt Expense (Legal & Collections)** – \$70/month, 35% of Legal Fees billed based on historical and current trends.

(Administrative Expenses – continued)

- **51218 Bad Debt Expense (Late Fees/Violations)** – \$500/month, 16% of CC&R Violation Fees billed based on historical and current trends.
- **51256 Educational Expenses** - \$1,055 annual expense for Community Associations Institute (CAI) annual Board membership (\$310) and an allowance for Board and staff members to attend monthly CAI Chapter events, AACM & CAI continuing education classes or other pertinent webinar events.
- **51276 Equipment Purchases** - \$6,611 annual allowance for anticipated purchase of computer equipment upgrades for management team or the gatehouses.
- **51305 Signs** - \$3,200 annual expense to cover the cost of signage for board meetings, road projects, and other information as needed. The cost is based on historical and current trends, along with the Board's goal to increase communication methods.
- **59005 Depreciation Expense** - \$11,436 annual expense based on the projection for asset (gate and guardhouse) depreciation.

IV. Repairs & Maintenance

- **53005 Common Area Maintenance** - \$15,600 annual expense to cover the anticipated costs of beehive and rodent removals, termite warranty for main gate house, electrical repairs, holiday lighting, fire prevention brush clearing, and other necessary maintenance needs associated with the common areas within the community.
- **53017 Drainage System Maintenance** - \$5,335 expense to allow for any recommended maintenance of the storm drain system resulting from an inspection by DLC Resources.
- **53027 Janitorial Supplies** - \$440 annual expense to allow for the purchase of additional sanitation supplies or personal protective equipment at the management office or gatehouses, as needed.
- **53035 Lighting/Bulbs** - \$450/month, for necessary lighting repairs on mailboxes and in the common areas.
- **53105 Building Maintenance & Repairs** - \$3,000 annual expense, to allow for incidental repairs at the gatehouse, as needed.
- **53315 Sprinkler Repairs** - \$13,160 annual allowance which allows for sprinkler and valve repairs, backflow testing of all 57 water meters in October (\$3,135) and allows for the replacement of several irrigation controllers annually, if needed (\$4,000).
- **53325 Plant & Tree Replacement** - \$12,000 annual expense, which is based on estimates provided by DLC Resources to install plants and saguaros in the common areas.
- **53345 Tree Pruning** - \$30,000 annual expense, which is consistent with the 2022 budget and current trends for trimming of trees above 10 feet from estimates provided by DLC Resources.
- **53375 Water Feature Maintenance & Repairs** - \$4,300 annual expense, for repairs to the fountain and related mechanical equipment at the main entry into the Country Club as well as a thorough annual cleaning of the fountain in early fall.
- **53405 Gate Maintenance & Repairs** - \$1,800/month, which is consistent with the current trends for repairs not included in the monthly gate service contract in place with iCan Access & Video. Expense offset by income generated from fines and fees collected due to improper gate entry violations.
- **53414 Self Help (Maintenance)** - \$500 annual expense, which allows for the need to address properties that may need to be maintained.
- **53526 Vehicle Expenses** - \$6,000 annual expense for patrol vehicle fuel. This also allows for fuel reimbursement for Security Manager's personal vehicle. This is billed as a pass-through by Sunstates Security.
- **53526 Vehicle Payments** - \$1,353/month expense. for the 2022 Toyota Tacoma patrol truck, leased and maintained by Sunstates Security. Up to 25,000 annual miles and all vehicle maintenance are included in this expense.

V. Utilities

- **52005 Electricity** - \$281,400 annual expense, which is slightly less than the past 12-month actual expense. The annual cost should continue to decrease as APS systematically switches all 532 HPS streetlights within the Country Club to induction lights as a part of their on-going maintenance plan. As of October 2022, approximately 330 lights have been transitioned from HPS to induction.
- **52025 Water & Sewer** - \$180,656 annual expense, based on an estimate provided by DLC Resources and reflects an 18% reduction from previous years due to EPCOR's rate change in February 2022.
- **52061 Telephone** - \$1,550/month, which is consistent with the 2022 actual expense for high-speed internet lines for the surveillance cameras at all community entries and telephone services at the gate houses. Also includes is a jetpack for backup internet access at the gatehouses (billed through Sunstates Security) and a monthly stipend for personal cell phone usage to the security manager and AAM team members, as needed.

2023 Reserve Budget

I. Income

- **85001 Interest Income** – \$265,545 annual income, which is based on current interest rate being earned from anticipated contributions to reserve account funds.
- **89001 Transfers from Operating Fund** - \$75,885/month. In addition to the regular monthly transfer to reserves from operating, we anticipate the transfer of \$250,000 annually from Lifestyle Enhancement Fee income. Annual reserve contribution is anticipated to be \$1,426,165 in 2023.

II. Expenses

For more detailed component descriptions, please see 2022 Reserve Study posted at OnlineAtAnthem.com.

- **91008 Granite Replenishment** (Component 3114) – \$50,000 annual expense, which anticipates granite replenishment to be completed in key common areas within the community.
- **91011 Painting Guardhouse** (Component 1164) - \$5,660 annual expense for exterior painting of both guardhouses, based on the reserve expense schedule. This is a rollover expense from 2022.
- **91012 Paint Street Signposts** (Components 3004 and 3012) - \$16,000 annual allowance to paint some street sign posts and community markers, based on the reserve expense schedule. This is a rollover expense from 2022.
- **91028 Paint – Fence Rails & Gates** (Components 3060 and 1122) - \$18,500 annual allowance to paint 4850 LF of drainage fences and rails throughout the community, as well as gates and fences at all for community entrances based on the reserve expense schedule. This is a rollover expense from 2022.
- **91031 Asphalt Maintenance & Repairs** (Components 2011, 2021, 2071, 2121, 2203, Harbour Town Ct north of Wolf Run in 2171) – \$251,000 annual allowance based on the road maintenance schedule as outlined on the 2023 Road Maintenance Plan prepared by Frank Civil Consulting. The anticipated scope of work is asphalt patching, crack-fill, and sealcoat in the highlighted communities on the attached map. (The new asphalt in Bel Air and Pasatiempo will be sealcoat only, with minimal, if any, crack-fill.) Asphalt conditions in scheduled areas will be evaluated in January to determine the remaining sealcoat coverage. If more than 30% coverage remains, sealcoat in those areas will be deferred to 2024 or beyond, if appropriate.

- **91049 Pavement Consulting** (Component 2340)– \$17,578 technical assistance expense to prepare the street maintenance bids and manage projects based on the 2023 expenses as outlined in the Road Maintenance Plan prepared by Frank Civil Consulting.
- **91064 Pumps** – (Component 1032) \$11,000 allowance for replacement of circulation pump #2, based on the reserve expense schedule. This is a rollover expense from 2022.
- **91073 Fountain Resurface** (Component 1010) – \$68,000 for resurfacing pebble-tec interior of fountain. This was installed in 1999 and is beginning to peel away from the steps of the fountain. Expense estimate based on quote from pool contractor.
- **92005 Monument Renovations** (Components 1000, 3000, 3004) – \$38,000 for refurbishing or painting of entry and community monuments, as needed, based on the reserve expense schedule. This is a rollover expense from 2022.
- **92010 Lighting** (Components 1350 and 1430) – \$7500 for replacement of ground lighting and exterior gatehouse lighting, based on the reserve expense schedule. This is a rollover expense from 2022.
- **92015 Fountain Repairs** (Component 1014) – \$25,000 for replacement of flagstone around fountain based on the reserve expense schedule. This is a rollover expense from 2022.

Thank you for allowing AAM, LLC to service the needs of your Association. Please call me if you have any questions or require additional clarification on these proposed budgets.

Sincerely,

Margaret Troyer

Margaret Troyer, Community Manager

Enclosures:

Operating and Reserve Budgets
Resolution Adopting Operating and Reserve Budgets