

DOBSON ♦ RANCH

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Welcome to
Dobson Town Hall
November 16, 2023



Welcome, Introductions,
Rules of Order

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DEFINITIONS

OPERATING FUND

The operating fund is where the day-to-day operating expenses are tracked. Such as administrative, insurance, landscape, repairs and maintenance, personnel. The assessments flow into the operating account and comprise the operating fund.

RESERVE FUND

The Reserve fund is funded with monthly or quarterly transfers based upon the recommendations of an independent reserve analyst. Each component of the common area (asset) is assigned a useful life and an estimated replacement cost.

CAPITAL FUND

Dobson Ranch established a Capital fund in 2020 to fund new projects that enhance or improve the community that are not currently a common area component. For example, installation of pathway bollard lighting or installation of gates on the boat ramps. This was originally funded utilizing excess operating income with deposits made to the account over the years as funds were available.



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OVERVIEW OF ACCOUNTING ISSUES

AUDITORS FINDINGS - Budget Errors

- 2020: \$240,000 transfer of asset errors - Result (\$371,652)
- 2021: \$240,000 transfer of asset errors - Result (\$336,784)
- 2022: \$300,000 transfer of asset & depreciation errors - Result (\$506,049)
- 2023: \$388,055 transfer of asset, depreciation, & calculation errors - Result (\$454,594)

- Total deficits due to budget errors totals \$1,669,079 for 2020-2023.



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CONTRIBUTING FACTORS

- No assessment increases from 2015- 2022
- Rapid turnover of board members and leadership with insufficient board training
- Inadequate or incorrect information provided to BOD and Budget & Finance Committee
- Management and maintenance of aging facilities
- Insufficient record keeping
- Transition to outsourced finance
- Inflation rate increased from 3.2% in 2011 to 8.4% in 2022
- Project cost overages
- Expenses that exceeded the reserve allocations for replacement



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DISCOVERIES

- Budgeting errors, which included depreciation and asset transfers that should not have been included and calculation errors
- Actual expenses for projects were not recorded correctly – expenses shown within various line items and not always attributed to project
- Not attributing for cost associated with utilizing in-house project labor
- Not covering the cost of various activity expenses (labor)
- Taxes on ad revenue were not paid (penalties)
- Improper reporting of payroll, inadequate payroll taxes paid
- Lack of collection of delinquent assessments
- Modifications to valuations and items included on the Reserve Studies



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WHERE DID FUNDS GO?

2019 Reserve Expenses

- Sunset Plaza turf, sail shades, mist system and tables \$23,791
- Play Equipment \$21,198
- Party Trailer \$8,023
- La Casita Parking lot seal \$4,186
- Saratoga drinking fountain \$3,154
- Saratoga parking lot seal \$2,639
- Foam roof repair \$1,500



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WHERE DID FUNDS GO?

2020 Reserve Expenses

- Northern Common Area Pole Lights \$26,435
- La Casita pool deck extension \$13,051
- Preliminary Park and pathway lighting \$10,350
- Monuments \$7,478
- Block Wall Repair and metal fence \$7,437
- Lake 1 Fountain \$7,385
- Fence Co-Share \$6,490
- Informational Signs \$5,815
- Kavanaugh Park \$2,545

2020 Capital Expenses

- Lake 1 Bollard Lights \$38,534
- Boat Ramp Gates \$3,754



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WHERE DID FUNDS GO?

2021 Reserve Expenses

- Los Altos Sport Courts \$271,825
- Los Altos Restroom Remodel \$194,179
- Monument Refurbishment \$130,580
- Pole Light Replacement N. Common area \$68,861
- Kavanaugh Park \$52,160
- Park Bench Replacements, Trash, Tables \$39,522
- Trash receptacles \$36,140
- Concrete Repair \$28,702
- Pontoon Boat \$25,500
- Granite Replenishment \$25,092
- Bollard Lights \$22,359
- Laguna Park Furniture \$20,397
- General Common Area Ramada \$20,396
- Architectural Fees Saratoga \$15,090
- Riding Mower \$14,755
- Irrigation Replace \$10,029
- La Casita & Maint. Yard foam roof \$4,200



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WHERE DID THE FUNDS GO?

2022 Reserve Expenses

- Saratoga Clubhouse Project \$588,518
- Truck Replacement \$63,492
- LC Splash Pad Refurbish \$42,408
- Monument signs \$39,823
- LC Pool Equipment \$24,167
- PreSchool Cabinet Replacement \$23,546
- Lake 7 Gate Valve \$22,275
- LC Playground and Playground Turf \$16,974
- LC Pool resurface \$14,691
- LC Pool Electrical \$11,805
- Rec Center Parking Lot \$6,852

2022 Capital Expenses

- Public Restrooms Laguna Park \$199,317
- Landscape & monument signs \$52,391
- Pre-work & bollards Lake 7 \$40,032



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WHERE DID THE FUNDS GO?

2023 Reserve Expenses

- Saratoga Remodel \$55,488
- La Casita Splash Pad \$25,630
- Granite Replenishment \$16,081
- Movie Screen and Equipment \$15,064
- Keyless Entry system \$11,613
- Cabinets Preschool \$4,119
- Lake Fountain \$4,063
- Common Area Block Wall \$3,491
- Saratoga Pool Equipment \$3,368
- Water Heater \$2,423

2023 Capital Expenses

- Laguna Park Restroom \$79,569
- Lake 7 Path Lights \$5,900



FUND BALANCES

	OPERATING	RESERVE	WATER	CAPITAL	OTHER	TOTAL
2022						
FUND BALANCE END OF YEAR	\$ 3,172,811	\$ 1,756,745	\$ 43,089	\$ 827,740		\$ 5,800,385
2021						
FUND BALANCE END OF YEAR	\$ 3,217,912	\$ 3,707,263	\$ 28,185	\$ 1,036,473		\$ 7,989,833
2020						
FUND BALANCE END OF YEAR	\$ 3,670,801	\$ 2,696,956			\$ 816,774	\$ 7,184,531
2019						
FUND BALANCE END OF YEAR	\$ 3,302,935	\$ 3,571,002			\$ 355,535	\$ 7,229,472
2018						
FUND BALANCE END OF YEAR	\$ 4,414,611	\$ 2,130,820			\$ 402,189	\$ 6,947,620
2017						
FUND BALANCE END OF YEAR	\$ 3,856,857	\$ 2,275,534			\$ 435,614	\$ 6,568,005
2016						
FUND BALANCE END OF YEAR	\$ 3,836,919	\$ 1,718,870			\$ 164,864	\$ 5,720,653



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WHERE ARE WE NOW?

As of September 2023:

- Net Income after Fund Balances
 - YTD Budget (\$356,506)
 - YTD Actual (\$13,932)

	YTD Actual	YTD Budget	YTD Variance
Income			
Assessments	2,290,702	2,291,328	(626)
Other Income	339,698	409,040	(69,342)
Total Income	2,630,400	2,700,368	(69,968)
Expenses			
Administrative Expenses	1,032,625	865,960	(166,665)
Board Expenses	52,226	52,676	450
Lakes Expenses	62,415	74,405	11,990
Landscape Expenses	309,896	445,607	135,711
Maintenance	298,957	423,084	124,127
Preschool Expenses	43,867	53,705	9,837
Recreation Expenses	269,359	460,781	191,422
Utilities	214,366	208,406	(5,960)
Watercraft	1,523	3,000	1,477
Total Expenses	2,285,235	2,587,624	302,389
Operating Net Income Before Depreciation	345,165	112,744	232,421
Depreciation Expense	195,873	202,500	6,627
Total Non-Operating Expenses	3,175	0	(3,175)
Operating Net Income After Depreciation	146,117	(89,756)	235,873
Fund Transfer	160,049	266,750	106,701
Net Income After Fund Transfers	(13,932)	(356,506)	342,574



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WHERE ARE WE NOW?

- 5% increase on annual assessments
- Improved collections of past due fees
- Priority on reducing expenses
- Hold on major projects and reserve expenses to reassess and prioritize
- Focus spending on community maintenance and upkeep
- Assessment of additional revenue streams
- Plan for activities and events that are self-funded
- Reorganization of operations and staff for increased efficiency
- Transitioned all class instructors to independent contractors rather than employees



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2024 APPROVED BUDGET

At a Joint Budget Meeting on November 13, 2023, the budget was recommended for approval by the Budget & Finance Committee and Approved by the Board of Directors

Focus on the basics – bricks and sticks

Estimated Income: \$3,009,558

Contributions: Reserve Fund \$500,000; ADWR Water Fund \$20,000

BUDGETED EXPENSES: \$3,009,558

Administrative \$567,900

Building \$215,917

Grounds \$205,443

Insurance \$156,995

Lakes \$123,800

Legal \$50,000

Pools \$57,000

Admin personnel \$485,844

Grounds personnel \$316,694

Buildings personnel \$167,613

Preschool personnel \$113,395

Recreation personnel \$233,157

Utilities \$301,799



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FIVE YEAR PLAN

- Stringent oversight and review of budget process
- 5% annual increases
- Diligent management of financial resources
- Focus on asset preservation vs recreation
- Update CC&Rs via resident vote



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- **10 Minute Break**
- **OPEN THE FLOOR TO QUESTIONS**
 - To request a chance to speak, please submit comment cards to the Board table
 - Speakers will be called up on first-come first-serve basis, in the order that comment cards are received
 - When your name is called, please approach the microphone and state your name and address for the record
 - Each speaker will be given 3 minutes, unless otherwise determined by the Board. After speaking, you may submit an additional comment card to be placed in the queue.
 - All persons attending are asked to observe rules of politeness, propriety, decorum, and good conduct. Anyone disrupting the meeting or speaking out of turn may be asked to leave and will not be allowed to return
- **Adjourn at 9:00 pm**

