



2023 Budget

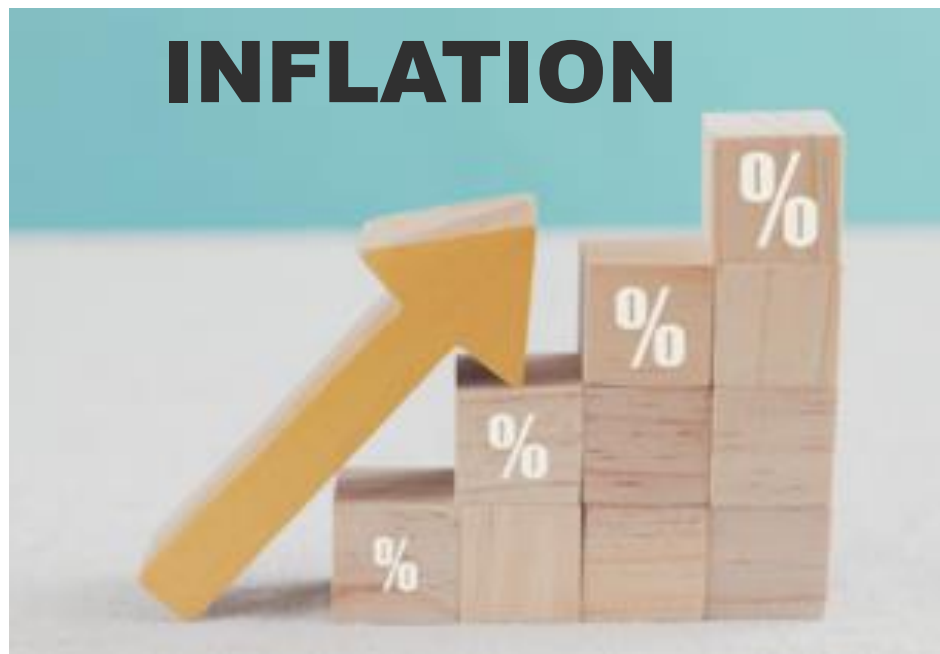
HOA Budget Definitions - Operating

- **Operating Budget** - an estimate of income and expenses for a one-year period.
- **Operating Income** – include assessments, fees, fines, and interest on investments.
- **Operating Expenses** - administrative fees, utilities, landscaping, and common area maintenance. Administrative fees are costs associated with running the business of the VCA; like collecting assessments, legal fees, office rent, property management staff salaries, etc.
- **Operating Surplus** – when income exceeds expenses, amount is available to spend in following year.

HOA Budget Definitions - Reserve

- **Reserve** – equivalent to the word “capital” used in other types of budgets
- **Reserve Budget** - an estimate of the amount of money to be spent in a given year to replenish/replace Reserve Components.
- **Reserve Components** – capital assets, must meet 4 criteria: 1.) Asset located in Common Area, 2.) Have limited Life, 3.) Remaining Life must be predictable, 4.) must be above a minimum threshold cost (often between .5% and 1% of an association's total budget).
- **Reserve Contribution** – amount of operating income transferred to Reserve Fund to replenish/replace Reserve Components
- **Reserve Expenses** - money spent from Reserve Fund to pay to replenish/replace Reserve Components
- **Reserve Fund** - a savings account used to pay for Reserve Components (capital assets) that age and need to be replenished/replaced over time.
- **Reserve Study** – identifies Reserve Components (capital assets) and provides a timeline as to when they need to be replaced, projects Reserve Expenses 30 years out.
- **Percent Funded or Reserve Fund Strength** – the ratio of Reserve Fund to amount needed to fully fund all Reserve Component projects.

Social Security cost-of-living adjustment
will be 8.7% in 2023 . . .



highest increase in 40 years.

How well is the VCA Funding Reserves?

Vistoso Community Association
Oro Valley, AZ
Level of Service: **Update "No-Site-Visit"**

Report #: **8973-10**
of Units: 4,965
January 1, 2023 through **December 31, 2023**

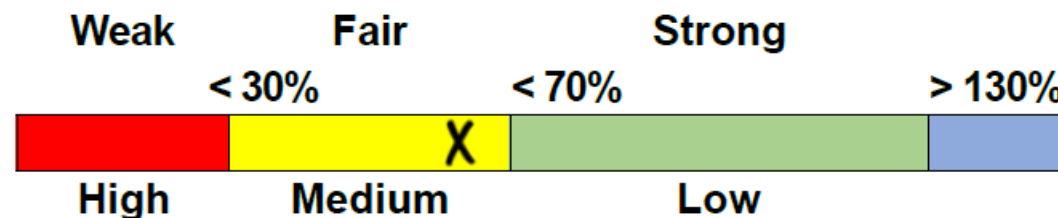
Findings & Recommendations

as of January 1, 2023

Projected Starting Reserve Balance	\$3,078,542
Current Fully Funded Reserve Balance	\$4,786,915
Average Reserve Deficit (Surplus) Per Unit	\$344
Percent Funded	64.3 %
Current Monthly Reserve Contribution	\$58,333
Recommended 2023 Monthly Reserve Contribution	\$60,700

Reserve Fund Strength: 64.3%

Risk of Special Assessment:



Recommendations for 2023 Budget

1. Continue to invest in community - fund Reserve Component projects per the Reserve Study or sooner if warranted.
2. Increase quarter assessment from \$80/qtr to \$87/qtr
3. Increase Reserve Fund Strength to at least 70%

How can you spend more than you collect?

Operating Budget

Revenue	
Income	2,345,660.00
Total Revenue	2,345,660.00
Expenses	
Administrative	858,958.00
Utilities	261,460.00
Landscape	1,369,951.00
Gates	-
Common Area	134,244.00
Pools	-
Lakes	-
Other Categories	
Total Expenses	2,624,613
Variance	(278,953)

You spend down Operating Surplus

Operating Budget

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Total Revenue	2,345,660.00	
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Utilities	261,460.00	
Landscape	1,369,951.00	
Gates	-	
Common Area	134,244.00	
Pools	-	
Lakes	-	
Other Categories		
Total Expenses	2,624,613	
Variance	(278,953)	
True Variance Due to 2022 Surplus	18,439	
1,072,392	September Operating Balance	
775,000	3 months Op Exp & Reserve Contribution	
297,392	2022 Surplus	

How's the Strength of Reserve Fund now?

Reserve Budget

<u>RESERVES</u>	
Starting Balance	3,078,542
2023 Contribution	950,000
Interest Reserve Fund	25,000
Bank Investment Charges	-12,000
2023 Expenses	-1,036,700
Projected Starting Balance 2024	3,004,842
<u>RESERVE % FUNDED</u>	
Fully Funded 2024	4,225,452
Projected Starting Balance 2024	3,004,842
Percent Funded	71.11%

**> 70% = Strong Fund Strength
Low Risk for Special Assessment**

Major Reserve Projects for 2023

Project	Amount
Irrigation Systems	\$393,000
Drainage Mitigation	\$300,000
Monument Refurbish	\$261,500
Asphalt Seal Coating	\$32,800
Play Structure Replacement	\$15,500
Painting	\$11,900

Over \$1MM will be spent in 2023 on 6 projects.

Major Reserve Projects Slated for 2024

Project	Amount
Granite Replacement	\$666,400
Street Light Replacement*	\$353,000
Other	\$302,000

Over \$1MM is slated to be spent in 2024 on 2 major projects.

*Per TOV can spread out project to replace 226 street lights on RVB over several years and can reduce the number of street lights.

Proposed 2023 Budget will Deliver

- Maximum investment in our community infrastructure now, while setting aside funds for future expenditures.
- Increase Reserve Fund Strength, moving it to a “strong” level
- Fair increase in quarterly assessment
 - only \$7/qtr
 - significantly less than the allowed \$16/qtr

The background of the slide is a solid white rectangle. On the left and right sides, there are vertical decorative borders. These borders are filled with a dense, overlapping pattern of various currency symbols, including the dollar sign (\$), euro symbol (€), pound sterling symbol (£), and yen symbol (¥). The symbols are rendered in a golden-yellow color and have a three-dimensional, embossed appearance. The word "Questions?" is centered in the white area, written in a dark blue, serif font. A thin, horizontal golden-yellow line is positioned directly below the text.

Questions?
